

## **Understanding Adobe Acrobat Reader:**

To view any section of the Single Process Initiative section, click on any of the text tabs in the Table of Contents. You will notice that your mouse arrow will change to a hand and the whole top will show a box around it. The following example shows what your screen will look like when you attempt this. Click on any topic and you will be forwarded to the appropriate section.

Just like Microsoft Wordviewer, you may print topics only, editing is not an option in Acrobat reader. If you have further questions, you may contact BRTRC's toll free hotline : 1-888-BRTRC-61.

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# Single Process Initiative (SPI)

## Executive Summary

### GOALS:

**Eliminate multiple, government-unique manufacturing and management system requirements** -- including direct and indirect cost drivers (e.g., material management systems, Cost/Schedule Control Systems Criteria (C/SCSC), price and cost analysis procedures, excess property procedures). The intent of the SPI is to determine which manufacturing and management processes are **most efficient** and then convert all contracts at a contractor's facility to those processes, as opposed to simply converting all contracts to the **most stringent** of the processes.

**Move to advance world class practices, while reducing the need for oversight.**

**Achieve cost, schedule, and performance benefits for the government and the contractor** (e.g., minimize contractor employee specialized training; facilitate better integration of commercial and government production in a facility; and allow US companies to become more globally competitive as they move to best practices on existing contracts, rather than waiting for new procurements -- further reducing US government costs).

### THE SPI PROCESS:

The SPI process is designed to be **flexible, streamlined, and expeditious** -- every day we delay, both the contractor and the government lose out on potential cost savings and avoidance.

The SPI should be used not in place of, but **in addition to existing contracting tools such as VECs, and normal contract changes**. To the extent SPI is easier to apply, it should be used.

**There are several differences between this process and the processes normally used to modify contracts:**

- SPI changes will impact most, if not all, of the existing contracts at a contractor's facility **instead of making changes on a contract by contract basis**.
- SPI changes may involve more than one process. These modifications could reflect a major change in how a contractor fulfills multiple requirements on existing contracts.
- A streamlined approach is used to analyze and incorporate SPI changes into existing contracts. **The sooner we accomplish this, the sooner both the contractor and the government can realize the benefit of the change.**

**The local management council is the key to success.** Management council membership includes senior-level contractor, DCMC, DCAA, and major customers representatives.

Senior-level participation and commitment, constant communication, and effective teaming are the most critical factors ensuring an effective management council. Management councils provide the framework for fostering process improvements and managing the SPI. Management councils must **think in new ways** to ensure we implement SPI changes with a minimum of bureaucracy.

**Component Team Leaders (CTLs) are designated from each key customer.** Each CTL is empowered by their respective component to commit their organizations to a course of action. CTLs are responsible, within their respective component, for:

- Coordinating and facilitating consensus among all affected component customers.
- Determining the technical acceptability of the proposed SPI change.
- Obtaining the necessary program authorizations.

The SPI process is designed to **default in favor of moving forward towards the objective of a common, facility-wide process.** While customers must be assured that any changes to existing contracts will meet their technical needs, there are **no approvals needed above the Component Team Leaders, and no one with the ability to “veto” the action.**

**Don’t struggle or waste valuable time trying to reach 100% consensus.** Elevate problems, concerns, or questions once it becomes clear an individual is not in agreement with all others or a potential problem or impediment exists. **Senior leadership** wants to know **immediately** if the process is getting bogged down.

- A Headquarters DCMC SPI Management Team meets regularly and includes representatives from OSD, DLA, DCAA, NASA, and the military services.
- Each DCMC District has a “SWAT Team” to provide advice and assistance to local management councils.
- Regular reports are provided to the Component Acquisition Executives (CAEs) and the Defense Acquisition Executive (DAE). These offices are briefed regularly on SPI progress.

## **NEW ISSUES:**

**Contractors may submit SPI changes that affect laws or regulations.** Management councils, with advice from their District “SWAT Team” legal counsel member, should review all concept papers to analyze the merits and cost-benefits of the change. If the proposed SPI change benefits the government, the Contract Administration Office (CAO) should process the change or deviation request by submitting a “case” that fully describes:

- The specific statute to be amended or repealed.
- The detailed rationale as to why the change is needed, including a statement of what problem or situation will be avoided, corrected or improved if the request is approved.
- The cost, schedule, or performance benefit to the Government.
- The suggested change language.

**SPI has been expanded to include prime contractors that are also subcontractors to other contractors.** USD (A&T) memo dated September 3, 1996 establishes the needed framework for addressing prime/subcontractor relationships under SPI. A joint government/industry IPT has developed an alternate approach to insert a “subcontractor enabling provision” into existing contracts. This provision will allow prime contractors the freedom to substitute government accepted subcontractor SPI processes in lieu of flowing down conflicting prime contract requirements. The proposed enabling provision, **once approved by the management council**, may be inserted into existing prime contracts at a given facility via a block change modification. The IPT’s recommendation will be forwarded to USD(A&T) in formulating additional policy in this area.

**Contract language for new procurements needs to allow for the use of approved single processes that are determined technically acceptable.** DCMC Contract Administration Office (CAO) personnel are advised to review required specifications and standards or management system requirements cited in the solicitation for conflicts with prospective offerors' processes approved under SPI. CAO personnel are in a position to identify such inconsistencies and forward their findings to the buying office and cognizant management council for action.

**Management councils are expanding beyond SPI.** They provide the organizational mechanism to foster communication, accelerate process improvement, and successfully manage initiatives for reducing oversight and acquisition costs. Members of the council can bring any issue forward for discussion and resolution.

## **CONCLUSION:**

**Senior leadership at OSD and the components are committed to making SPI work.** SPI remains one of the important keys to DoD’s acquisition reform efforts and its transition to performance based contracting. As the program evolves, we continue to see additional opportunities for implementing best practices through extremely effective teaming arrangements and use of our Management Councils. **This is not a time to be conservative.**

# **Single Process Initiative and the World Wide Web**

## **How to Find the Single Process Initiative (SPI) Area of DCMC's Home Page**

The SPI area address, or Uniform Resource Locator (URL), is:

**[http://www.dcmc.dcrb.dla.mil/spi/f\\_block.htm](http://www.dcmc.dcrb.dla.mil/spi/f_block.htm)**

You can also access the SPI area of the DCMC home page by going to DCMC's home page at **<http://www.dcmc.dcrb.dla.mil>** and selecting the "Hot Topics" area. From the Hot Topics area, select the "Single Process Initiative" area (see enclosed illustrations).

## **Information at the SPI Area**

The SPI area contains timely and relevant information SPI related topics. The information posted to the area is for public use and intended to provide Government and industry users with current information on SPI implementation. Also available at the SPI area are "Hot Links" to other SPI resources, such as the "MILSPEC Reform" home page.

The SPI area is intended to be dynamic. We have many updates and changes that will occur in the near future such as a cross-index of Successes and Lessons Learned. The cross-index will enable users to look up information by contractor and by process. If you have any comments or suggestions for improving the SPI area, please contact Mr. David Robertson ([david\\_robertson@hq.dla.mil](mailto:david_robertson@hq.dla.mil)).

## **Downloading SPI Information**

Headquarters DCMC uses Adobe Acrobat software to aid in posting documents to the SPI area. We have done this to give the users another option in which to view or download the information we have posted at this site. We create an Adobe file format called "Portable Document Format" (PDF). This enables you to read a document without having to use the software it was created in. For instance, you can read an MS Word document without having Word on your laptop or PC. We have recently converted to Acrobat 3.0. This means that you need to download the Adobe's Acrobat Reader to be sure you are able to read all of the documents. If you do not have the Adobe Acrobat Reader installed on your computer, a free copy and downloading instructions are available on DCMC's home page.



ACQUISITION AND  
TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE  
3010 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-3010



DEC 08 1995

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
ASSISTANT SECRETARY OF DEFENSE (COMMAND,  
CONTROL, COMMUNICATIONS AND INTELLIGENCE)  
GENERAL COUNSEL  
INSPECTOR GENERAL  
DIRECTOR OF OPERATIONAL TEST AND EVALUATION  
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Single Process Initiative

Secretary Perry's memorandum of December 6, 1995 requested that I promulgate guidance for making block changes to existing contracts to unify the management and manufacturing requirements of those contracts on a facility-wide basis, wherever such changes are technically acceptable to the government. Secretary Perry further directed that the single point of contact for this effort will be the Administrative Contracting Officer (ACO) assigned to a facility. Accordingly, I am providing the following additional guidance on these issues.

Replacement of multiple government-unique management and manufacturing systems with common, facility-wide systems should, in the long run, reduce the costs to both our contractors and the DoD. Contractors will, however, in most cases incur transition costs that equal or exceed savings in the near term. We expect that cases where this does not hold true are in the minority, mostly dealing with high value, long-term contracts. Accordingly, I direct use of an expedited, streamlined approach to ensure that the contractors' proposals of block changes are technically acceptable and to quickly identify those cases where there may be a significant decrease in the cost of performance of existing contracts.

ACOs are directed to encourage contractors to prepare and submit concept papers (see the attached TAB A) describing practices that will permit uniform, efficient facility-wide management and manufacturing systems and a method for moving to such systems. Contractor recommendations included in the concept paper should be accompanied by a cost-benefit analysis adequate to determine the rough order of magnitude of the costs and benefits to the contractor of the proposed system changes (including any impact on the cost of performance of existing contracts). This cost benefit analysis shall be performed without requesting certified cost or pricing data. The detail included in these concept papers/cost analyses is intended to be just sufficient to allow an informed,





rapid judgement by the ACO on whether proposed changes to management and manufacturing processes can be approved on a no-cost, block change basis, applying guidance in this letter.

Where such a proposal is technically acceptable and there are no significant net savings in the cost of performing existing contracts, the ACO, after appropriate consultation with program managers, shall issue class modifications to those contracts without seeking an equitable adjustment. In those cases where the contractor's proposal will result in significant decreases in the overall net cost of performance of existing contracts, the contractor should be asked to submit a formal proposal for an equitable adjustment (consideration) and to submit separate, detailed cost data in support of the proposed amount. The negotiation of equitable adjustments should not delay the modification of contracts.

Note that the specific shift from MIL-Q-9858A to ISO-9000 does not in itself result in significant contractor savings in most contracts, and hence can be made on an expedited basis.

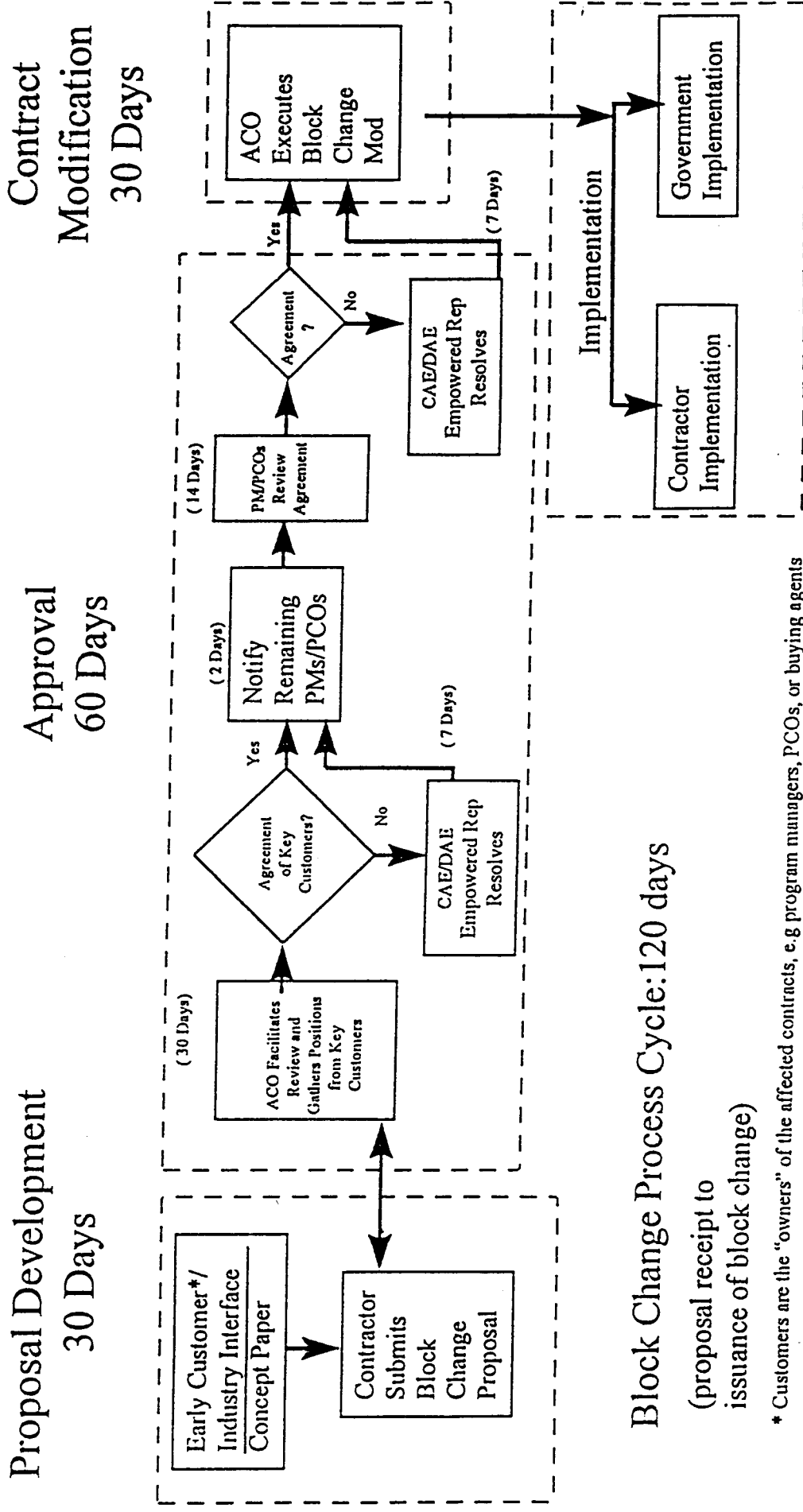
I also direct that, effective immediately, ACOs have the authority to execute class modifications, subject to receipt of necessary programmatic authorization from affected components.

The Commander, Defense Contract Management Command (DCMC) shall approve all requests for certified cost or pricing data in connection with this initiative unless such data are required by law. He will also be the focal point for implementing these efforts within DoD, and will facilitate the coordination of the change process. Tab A depicts the block change process detailing underlying assumptions, roles, and responsibilities.

The Commander, DCMC should prepare for me and for the Component Acquisition Executives a brief quarterly report that describes the progress achieved in replacing multiple government-unique management and manufacturing requirements in existing contracts with more efficient, common facility-wide practices.

*Paul G. Kaminski*  
Paul G. Kaminski

# BLOCK CHANGE PROCESS OVERVIEW



Process Builds on Existing Organization Structures

Implementation

## BLOCK CHANGE PROCESS

The block change process depicted here designates DCMC as the lead facilitator to implement plant-wide changes. The process is built on existing structures within the components and OSD and is designed to create a sense of urgency in the approval process for streamlining of specifications, standards or other processes.

## PROPOSAL DEVELOPMENT

Industry is encouraged to prepare and submit concept papers for streamlining specifications and standards with emphasis on early customer involvement and interface. Once the cost and benefit of the change has been determined through this early involvement, industry shall submit block change proposals. As a minimum, the proposals should detail the proposed processes and associated metrics, rough order of magnitude cost benefit analysis, the consequent changes in government's involvement in the process and required regulatory/contractual changes.

## APPROVAL

Following submittal of the proposal, the Contract Administration Office (CAO) shall determine the contractual/regulatory scope of change, confirm the component customer base impacted and, if required, organize a local management council based on the nature of the proposal. The management council should be comprised of senior level representatives from the local CAO, the cognizant Defense Contract Audit Agency (DCAA) office, the contractor and subject matter experts representing the key customers within the affected components. Notionally, the key customer base shall be comprised of customers who represent 80% of the total dollar value of affected contracts.

## ROLES AND RESPONSIBILITIES

The role of the management council is to analyze the merits and cost benefits of the change. Empowerment of subject matter experts from the key customer base is critical. To minimize delay, a component team leader should be designated and granted decision authority by the CAE to represent the key customer base. Component team leaders are responsible for achieving consensus with other component team leaders, the key customer PCOs and PMs, the component team members and the CAE. The CAO should be responsible for facilitating and leading the management council. The ACO will have the contractual authority to execute all block changes. The attached diagram shows the decision process along with timelines expected of this streamlined process.

## INTERNAL GOVERNMENT RESOLUTION PROCESS

The objective of this process is to resolve disagreements, facilitate consensus, elevate and resolve issues of substantial concern, and re-emphasize the overall goal and objective. If there is disagreement between PM or other customers within a component, the issue must be raised to a level within the service as designated by the CAE. If there is disagreement among the components the issue must be raised to a level within the Department as designated by the DAE. Once resolved, the ACO executes the change.



IN REPLY  
REFER TO

AQ

**DEFENSE LOGISTICS AGENCY**  
**THE DEFENSE CONTRACT MANAGEMENT COMMAND**  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR VIRGINIA 22060-6221



DEC 11 1995

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS  
COMMANDER, DEFENSE CONTRACT MANAGEMENT  
COMMAND INTERNATIONAL

SUBJECT: Adoption of Common Processes at Defense Contractor Facilities

The adoption of common processes by contractors in lieu of multiple, unique DoD standards and specifications is one of the cornerstones of acquisition reform. Recently issued letters by Secretary Perry and Under Secretary Kaminski underscore the importance of accelerating this shift toward facility-wide common processes (Attachment 1). DCMC will play a pivotal role in this major initiative by both encouraging contractors to submit common process proposals and expediting their review and approval.

Common processes are intended to help reduce contractor operating costs, and contribute to cost, schedule, and performance benefits for the Government. Unlike traditional contract specific changes, process changes are intended to cross all contracts at a particular facility. For this reason, and although it is clear that both the Government and contractors can mutually benefit from the adoption of common processes, the review and approval of contractor process change proposals require special technical and cost consideration. Attachment 2 provides further guidance in each of these two areas.

Critical to the success of this effort are communication and coordination with customer buying activities and program management offices. Cost-benefit analysis must be fully explored and coordinated in order to build consensus among all parties on the concept. Each field office should establish a Management Council comprised of contractor, DCMC, DCAA, and key customer representatives in order to facilitate a timely and constructive exchange of information. The field office should work closely with the Management Council to ensure that the concept paper contains sufficient technical and cost information to permit adequate evaluation.

To help promote this initiative and also assist ACOs and other DCMC functional specialists in the review of contractor proposals, we are establishing a Block Change Management Team at HQ DCMC. A draft charter for this team is at Attachment 3. Among other tasks assigned to the team are the development of a "Road Show" package for conducting briefings across the Command, and the establishment of field level SWAT teams that will be available to assist ACOs in reviewing common process proposals.



Should there be any questions, the point of contact is Mr. Frank J. Lalumiere. He can be reached at (703) 767-2412 or DSN 427-2412.

A handwritten signature in black ink, appearing to read "Robert W. Drewes", with a stylized, flowing script.

ROBERT W. DREWES  
Major General, USAF  
Commander

Attachments



6 DEC 1995

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARY OF DEFENSE (ACQUISITION AND  
TECHNOLOGY)  
UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
ASSISTANT SECRETARY OF DEFENSE (COMMAND,  
CONTROL, COMMUNICATIONS AND INTELLIGENCE)  
GENERAL COUNSEL  
INSPECTOR GENERAL  
DIRECTOR OF OPERATIONAL TEST AND EVALUATION  
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Common Systems/ISO-9000/Expedited Block Changes

My June 29, 1994 memorandum on Specifications and Standards directed the use of performance specifications to the maximum extent practicable, and the development of a streamlined procurement process to modify existing contracts to encourage contractors to propose non-government specifications and industry-wide practices that meet the intent of military specifications and standards which impose government-unique management and manufacturing requirements. Although much progress is being made in applying these principles on new contracts, this progress has itself shown that government-unique requirements on existing contracts prevent us from realizing the full benefits of these changes by requiring, in a single facility, multiple management and manufacturing systems designed to accomplish the same purpose. Because it is generally not efficient to operate multiple, government-unique management and manufacturing systems within a given facility, there is an urgent need to shift to facility-wide common systems on existing contracts as well.

In order to meet our military, economic and policy objectives in the future, and to expedite the transition to this new way of doing business, the direction given in my June 29, 1994, memorandum is hereby revised. In addition to the direction given there for government-unique specifications and standards, I now direct that block changes to the management and manufacturing requirements of existing contracts be made on a facility-wide basis, to unify management and manufacturing requirements within a facility, wherever such changes are technically acceptable to the government. The single point of contact for this effort will be the Administrative Contracting Officer (ACO) assigned to a facility.

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ATTACH. 1

The Under Secretary of Defense for Acquisition and Technology shall issue additional guidance necessary to facilitate the Department's streamlined review of contractor's proposals to replace government-unique management and manufacturing requirements in existing contracts with uniform requirements within the contractor's facilities.

We cannot afford to allow "business as usual" to delay this initiative. I therefore request that you and your leadership take an active role in expediting the transition of existing contracts and reprocurments to common systems.

*William G. Perry*

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ACQUISITION AND  
TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE  
3010 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-3010



DEC 0 8 1995

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*Paul J. Kaminski*  
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Attachment

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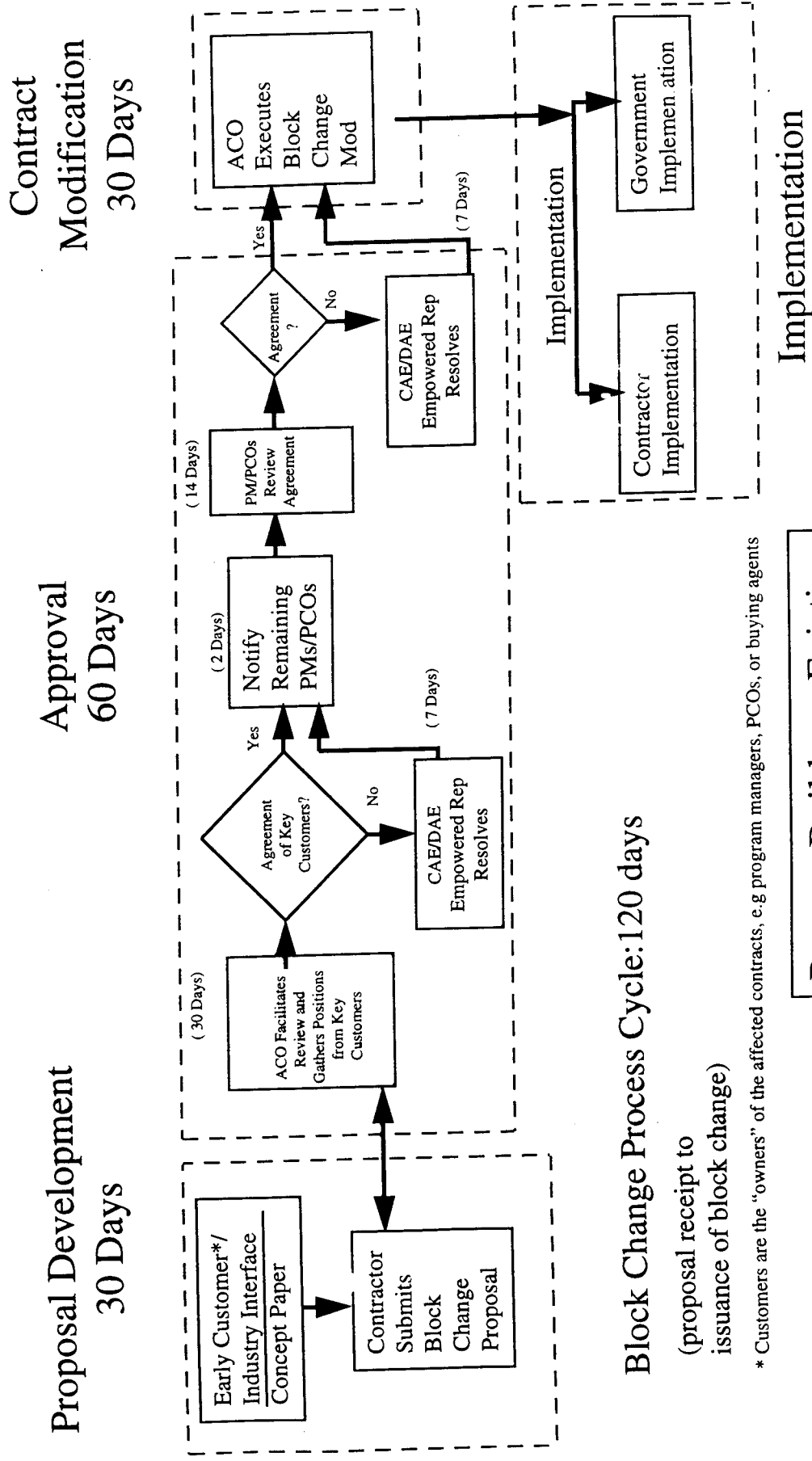
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# BLOCK CHANGE PROCESS OVERVIEW



Process Builds on Existing  
Organization Structures

## Common Process Block Changes

A block change is a contract modification that implements a common process across all contracts at a contractor's plant. Listed below are some key steps that should be taken to facilitate the proper review and disposition of common process proposals submitted by contractors.

1. CONTRACTOR/CUSTOMER/CAO INTERFACE: The Contract Administration Office (CAO) acts as the primary industry interface, proactively informing contractors about the common process approach, and advising contractors how to prepare and submit initial concept papers and more detailed proposals, if necessary. The concept paper should include a cost/benefit analysis by the contractor, sufficient to identify the rough order of magnitude of the cost and technical impact of the proposed common process change on government contracts. Contractors should be encouraged to consider any common process approach that realizes a cost schedule or performance benefit for both the contractor and the Government. The CAO will notify the key customers when a contractor volunteers to participate in the process. The CAO shall request from the largest component customer in accordance with the Service issued guidance that an individual be designated as the component team leader. After the program office/buying activity identifies the component team leader, the CAO will notify all Service customers who that individual is.

2. CONCEPT PAPER/PROPOSAL REVIEW & EVALUATION: The CAO must perform a review of the adequacy and reasonableness of the contractor's concept paper and supporting cost/benefit analysis. The concept paper should outline the proposed process and planned transition approach. Technical feasibility, cost effectiveness, and program risk are elements that should be fully explored with the contractor.

The CAO should work closely with customer buying activity and program management office customers and the contractor during review. The intent is to expedite a review and determination by the ACO as to whether the change can be approved on a no cost, block change basis. In those instances where it is determined that significant cost savings will result, the ACO, in coordination with the customers, must determine the format and amount of detail required to be included in a more formal contractor proposal. Business judgement should be used to ascertain the required level of supporting documentation.

The proposal should be reviewed by a local team of CAO technical and cost specialists, the cognizant DCAA auditor and the key customers. The contractor should participate in this review and provide any necessary, additional supporting data concurrent with the review process.

### 3. TECHNICAL CONSIDERATIONS:

(1) The common process should be sufficiently defined, structured, and documented to permit full evaluation. Customer buying activity programs that are affected in the various Service components or other defense/civilian agencies

must be identified.

(2) Among other questions and issues that should be addressed during review of the contractor's proposal are:

(i) Will implementation of the common process be advantageous to the government? Does the common process encourage the use of advanced practices, eliminate nonvalue added requirements, eliminate redundant audits, reduce oversight cost, etc.?

(ii) How will the contractor demonstrate acceptability and reliability of the common process?

(iii) What is the impact on the government and contractor if the common process is approved/disapproved? Has a risk analysis been performed? (The technical feasibility of the common process must be addressed in relation to the impact on such areas as quality, maintenance, and life cycle cost.)

(iv) How will the contractor implement the common process? Will the change be phased in? How does the contractor propose to maintain quality, schedule, etc. during the transition?

(3) The kind and degree of technical review will vary with the complexity of the processes involved. Some process changes may not have a significant impact on quality, maintenance, performance, or life cycle cost. Other process change proposals will present a myriad of technical issues requiring indepth review by contractor, DCMC, and buying activity personnel. Further, while some proposals may be readily adopted for all contracts on a facility-wide bases, other proposals may be suitable for the majority, but not all government contracts at a particular contractor facility.

For example, the proposed common process might involve the adoption of commercial packaging practices. Prior to approval on a facility-wide basis and modification of all government contracts, a technical review must confirm that there are no special packaging or packing requirements needed to satisfy cold weather storage, salt water exposure, or shelf-life expectancy, etc.

Other common process proposals may require an assessment by contractor, DCMC, and program office personnel of the impact on maintenance, supply availability, and associated costs to the government. Should a common process proposal, for example, introduce multiple variants of a component or system, the government would need some assurance that the contractor could produce sufficient, timely notification of correct configuration information for each variant, down to the piece part level. To the extent that a change introduces more parts, part numbers, or substitutes for original parts, an evaluation of the proposed change must consider whether there is sufficient technical documentation of the

parts to permit the government to identify the proper application, and whether the government can properly control and adequately disseminate the information to ensure supportability. Also, the evaluation of some proposals will require an assessment of the need to train government personnel on the changes, and the associated training costs. These kinds of complex, technical issues will surface with greater frequency in situations where end product performance specifications are proposed as substitutes for multiple military specifications. On occasion, however, they may arise during the review of common process proposals submitted by contractors.

4. COST CONSIDERATIONS:

(1) Should the review indicate that the proposed change generates significant savings on an existing contract, consideration should be negotiated for the contract. If the resulting contract modification involves a price adjustment that exceeds the TINA threshold, certified cost and pricing data may be required per FAR 15.8. (The Commander, DCMC shall approve any ACO request for certified cost and pricing data, unless specifically required under TINA.)

(2) If the review reveals that the implementation cost is equal to the savings realized, or the savings are immaterial on existing contracts, a block modification may be used to implement the change at no cost to the Government.

Consideration should be determined based on normal business judgment which could include the absolute dollar value, as well as the dollar value of savings as measured against the overall contractor sales base. Under some circumstances, consideration flowing to the Government may be other than monetary consideration. ACOs must apply good business judgement following a full review of each concept paper or proposal and the factors involved.

(3) In order to ensure the government realizes savings on future contracts and contract modifications, contractor proposals should address forward pricing rate reductions. The ACO and auditor should review the adequacy of the proposed rate reductions for use and incorporation in forward pricing rates.

(4) The overall objective should be to reduce the administrative burden as much as possible, yet still satisfy customer requirements. Once the ACO has selected the appropriate course of action (block changes, individual modifications or a combination of the two), the proposed actions should be presented to the Management Council for concurrence.

5. MANAGEMENT COUNCIL OVERSIGHT: The Management Council structure at each CAO will help to facilitate the review and disposition of common process proposals. The Council membership should include DCMC and DCAA representatives, as well as representatives from key customer buying activities. Generally, representation on the Council should account for at least 80 percent of the customer buying activity business base impacted by the process change. Upon reaching agreement at the Management Council level, any other buying activity/program management office customers must be advised of, and concur with, the process change.

DRAFT CHARTER  
BLOCK CHANGE MANAGEMENT TEAM

RESPONSIBILITIES

1. Encourage contractors to submit block changes.

The DoD letters direct ACOs to encourage contractors to submit block changes. The team will be responsible for developing methods to facilitate early field office comprehension of the common process/block change policy and procedures because the first message needs to be consistent, consistently stated, and stated as quickly as possible. Specifics follow:

- A. Develop a standard letter for ACOs to use in encouraging contractors to submit common process concept papers.

- B. Develop a “road show” package for DCMC personnel (briefing charts, script, handouts, etc) that explain the DoD objective in the common/process block change policy, the purpose of block changes, the benefits to contractors, success stories from others who have already done it, the process, etc.

- C. Develop mechanisms to enable ACOs to continue to spread the message and encourage submittals after the team’s departure.

2. Provide assistance to ACOs in processing/negotiating block changes.

- A. Stand up “SWAT teams” that are capable of assisting ACOs in processing/negotiating block changes. SWAT teams should be teams of DCMC technical and business experts who can give advice or go on-site to assist in analysis and negotiations.

- B. Facilitate interactions with customers to get approval for common processes and block changes.

- C. Develop networks to enable ACOs to find assistance after SWAT teams are disestablished.

3. Refine guidelines for processing/negotiating block changes.

- A. Amend/expand guidelines for processing/negotiating block changes as needed to respond to experiences and lessons learned.

- B. Develop one book chapter for common process/block changes.

4. Keep DCMC Commander, OSD, and the SAEs informed of progress.

A. Develop and submit required reports to OSD. The DoD letter requires quarterly reporting of progress from the DCMC Commanders. Develop report format, put in place collection procedures for the field, gather data, and submit reports.

B. Submit "weeklies" (weekly status reports) to the SAEs. Reports should concentrate on the places where SAE involvement and encouragement would be worthwhile.

5. Monitor execution in field.

A. Keep in touch with CAOs to cheerlead, remove barriers, etc., but

B. Do not burden the field with extraneous reporting requirements.

6. Go out of business within 9 to 12 months.

A. Develop plan to institutionalize processing/negotiating block changes within dcmc.

B. Get plan approved and execute it.

### MILESTONES

Develop standard letter	NLT 5 Jan
Develop road show	NLT 15 Jan
Do road shows	15 Jan - 15 Mar
Stand up SWAT teams	NLT 31 Dec
Develop reporting requirements	NLT 15 Jan
Rest TBD by team	

### MEMBERS

Mr. Mike Vezeau (DCMC) -- Lead	TBD (OSD)
Ms. Jane Curtis (DCMC)	TBD (Army)
Mr. Syd Pope (DCMC)	TBD (Navy)
Mr. Dave Robertson (DCMC)	TBD (Air Force)
Ms. Josephine Ross (DCMC)	TBD (DCAA)
Mr. Mike Dudley (DCMC)	TBD (DoD IG)
MAJ Jack Econom (DCMC)	TBD (DLA)
Ms. Pat Matura (DCMC)	

**DCMC team members to round up TBD members. Also to augment with DCMC field personnel if necessary.**



# DCAA MEMORANDUM FOR REGIONAL DIRECTORS COVER SHEET

## AUDIT GUIDANCE/MANAGEMENT MEMORANDUM NO. 96-PSP-200(R)

Date of MRD: 26 Dec 1996

Subject of MRD: Audit Guidance on the Review of Cost/Benefit Analyses Submitted Under the  
Single Process Initiative

### Current Audit Guidance and/or Audit Management Guidance Affected:

Paragraph	CAM Explanation of Effect on Current Version of CAM
None	

STANDARD AUDIT PROGRAMS			
Type of Report	Pro Forma Document Name	Step No.	Explanation of Effect on Current Audit Program
None			

PRO FORMA AUDIT REPORTS			
Type of Report	Pro Forma Document Name	Sec/Par.	Explanation of Effect on Current Audit Report
None			

MEMORANDUMS FOR REGIONAL DIRECTORS		
MRD No.	Date	Subject/Explanation of Change
None		

INTERNAL CONTROL QUESTIONNAIRE/VULNERABILITY ASSESSMENT PROCEDURES	
ICQ or VAP	Section & No. State Control(s) Affected by the Change
None	

DCAA PAMPHLETS/REGULATIONS/INSTRUCTIONS			
DCAAP/RI/No.	Date	Page/Sec/Par	Explanation of Effect
None			

PROGRAM OBJECTIVE DOCUMENT/FMIS USER MANUAL	
POD/Man	Page/Sec/Par Explanation of Effect
	None



IN REPLY REFER TO

**DEFENSE CONTRACT AUDIT AGENCY**  
8725 JOHN J. KINGMAN ROAD, SUITE 2135  
FORT BELVOIR, VA 22060-6219

26 December 1996

PSP 730.4.15

96-PSP-200(R)

**MEMORANDUM FOR REGIONAL DIRECTORS, DCAA**  
**DIRECTOR, FIELD DETACHMENT, DCAA**

**SUBJECT: Audit Guidance on the Review of Cost/Benefit Analyses Submitted**  
**Under the Single Process Initiative**

On 6 August 1996, we issued updated audit guidance on DCAA's participation in the single process initiative (reference 96-PSP-103(R)). That guidance:

- reemphasized earlier guidance
- discussed the Department's expectations for cost/benefit analysis submissions
- provided attributes for an adequate cost/benefit analysis
- provided reporting examples to assist the auditor in reporting on the cost/benefit analysis

The Defense Contract Management Command (DCMC) recently issued the enclosed 19 November 1996 memorandum on cost/benefit analysis expectations under the single process initiative (Enclosure 1). The DCMC memorandum emphasizes that the Department is expecting substantial savings from contractors' implementation of the single process initiative, and that the cost/benefit analysis should include an estimate of those savings. The DCMC memorandum also discusses the attributes of an adequate cost/benefit analysis and states that the DCAA should be requested to review the analysis. Cost/benefit analysis information will be included in future Contract Administration Offices' weekly reports to DCMC Headquarters.

Our recent assessment of DCAA reports on cost/benefit analysis shows that savings (especially future years' savings in forward pricing) included in the analyses has been relatively insignificant. The cost/benefit analysis should address the following items:

- estimated implementation costs
- estimated savings on existing contracts
- estimated annual future savings to reflect in forward pricing

We have also developed general attributes for an adequate cost/benefit analysis. Enclosure 2 is a list of those attributes.

SUBJECT: Audit Guidance on the Review of Cost/Benefit Analyses Submitted  
Under the Single Process Initiative

When asked to review a cost/benefit analysis, the auditor should first determine if it includes all of the relevant implementation cost and savings information (instant savings on existing contracts and annual future savings impacting forward pricing) use the listing of attributes at Enclosure 2 as a guide. Also at the beginning of the review, the auditor should coordinate with the contracting officer to discuss the agreed-upon procedures and determine the customer's expectations.

The level of detail to support the cost/benefit analysis is dependent upon such items as:

- a. the technical complexity of the proposed change;
  - b. the government's participation in the contractor's implementation costs and savings;
- and
- c. the materiality of the estimated costs and savings.

If the cost/benefit analysis does not include all relevant items, the auditor should immediately conduct fact-finding with the contractor to obtain the information or the reasons why the information is not relevant. If the fact-finding does not result in obtaining the relevant implementation cost and savings information, request in writing the assistance of the administrative contracting officer in obtaining the necessary data.

The underlying concept of the block change process is that the cost/benefit analysis does not need to be supported by cost or pricing data. It is similar to the Cost Accounting Standards cost impact paper concept. If current savings significantly exceed implementation costs, cost or pricing data would be needed to make changes to existing contracts.

As management councils are formed to implement the single process initiative, the auditor should coordinate with the contractor and contracting officer to determine if the use of an integrated product team approach would be beneficial to prepare and review the cost/benefit analysis. Under this approach, the government provides the contractor with supporting data expectations and review criteria before the contractor starts to prepare the analysis. The contractor then submits parts of the cost/benefit analysis for government review as completed and approved by contractor management (examples of parts that could be submitted as they are completed include the implementation costs, savings on existing contracts, and annual future savings). The government then provides real-time feedback to the contractor on the review results. The integrated product team approach usually results in a better prepared cost/benefit analysis and significantly reduced review cycle time.

Our guidance issued on 6 August 1996 contains the report paragraph examples on the review of cost/benefit analyses. Enclosure 3 updates report examples to reflect the guidance contained in this memorandum and lessons learned since 6 August 1996. Please continue to provide Headquarters with a copy of reports on cost/benefit analyses (Attention: PSP). This helps us to identify issues that may require additional guidance.

PSP 730.4.15

SUBJECT: Audit Guidance on the Review of Cost/Benefit Analyses Submitted  
Under the Single Process Initiative

Please direct any questions or comments to the Headquarters, Special Projects Hotline, at  
(703) 767-3290, fax at (703) 767-3234 or cc:Mail at \*PSP.

/Signed/  
Lawrence P. Uhlfelder  
Assistant Director  
Policy and Plans

Enclosures

1. DCMC Memorandum, dated 19 November 1996
2. Cost/Benefit Analysis Recommended Guidelines
3. Agreed-upon Procedures Reporting Examples

DISTRIBUTION: C



**DEFENSE LOGISTICS AGENCY**  
THE DEFENSE CONTRACT MANAGEMENT COMMAND  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221

IN REPLY  
REFER TO AQOC

NOV 19 1996

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS

SUBJECT: Single Process Initiative (SPI) -- Cost Benefit Analysis

The Department is expecting substantial savings from contractors' implementation of SPI. As such, one of the key elements of a contractor's concept paper is the inclusion of a rough order of magnitude cost benefit analysis.

It is the responsibility of the Administrative Contracting Officer (ACO) to ensure that the cost benefit analysis is adequate. This means that the analysis is based upon empirical data; that it includes the major activities needed to implement the process, and an estimated cost for each; and that it identifies those requirements to be deleted along with an estimated annual saving to both existing and future contracts. The cognizant Defense Contract Audit Agency (DCAA) field office should be requested to analyze the cost benefit analysis and provide advice as to its reasonableness. As always, ACOS should continue to use sound business judgment in arriving at their decisions.

To better posture ourselves for questions in this area, Contract Administration Offices should begin reporting in their weekly reports, the contractor's estimated cost to implement the proposed process change and their estimate of annual savings and avoidances to both existing and future contracts. I also want included in the report, those estimates arrived at by DCAA and their rationale for any differences.

Questions on this matter should be directed to Ms Marialane Schultz, my SPI Team Leader. She can be reached on (703) 767-2471, DSN 427-2471, or via the internet at marialane\_schultz@hq.dla.mil.

/s/

ROBERT W. DREWES  
Major General, USAF  
Commander

ENCLOSURE 1

## Cost Benefit Analysis - Recommended Guidelines

1. The cost/benefit analysis should include an analysis of:
  - Implementation costs,
  - Estimated savings on existing contracts, and
  - Estimated annual future savings to reflect in forward pricing.
2. The annual future savings should be forecasted for the period covered by the contractor's indirect expense rate forecast (usually five years).
3. The cost/benefit analysis should identify both direct and indirect implementation costs and savings. Estimated implementation costs and savings should be broken down by the contractor's normal direct and indirect cost elements.
  - Direct implementation costs and savings to be included in contract price proposals
  - Indirect implementation costs and savings to be included in forward pricing rates.
4. There should be rationale to support significant estimates of implementation costs and savings. For example, the analysis should identify the implementation plan and procedures, and the related costs. The major implementation cost items should include estimating rationale. The analysis should also identify the changed (deleted and new) requirements as a result of implementation of the single process initiative, and the related savings. The savings should be broken out by savings on existing contracts and annual savings after implementation. The major savings' areas should include estimating rationale.
5. The cost/benefit analysis should identify recurring versus non-recurring implementation costs and savings.

Note: The level of detail required is dependent upon the circumstances. Consider such items as technical complexity, government participation, and the materiality of estimated implementation costs and savings. More significant changes would usually require more supporting data. Parametrics and information other than historical data may be used to support the estimates, if appropriate.

## **EXAMPLES OF AGREED-UPON PROCEDURES REPORT FORMAT**

### **SUBJECT**

As requested by DCMC-Alexandria on December 4, 1996, we applied agreed-upon procedures to review the cost/benefit analysis within the concept paper submitted by ABC Company on December 2, 1996. ABC Company proposes in the concept paper to replace several software development military standards and specifications (DoD Standards 2167A and 2168, and MIL Standards 1521B and 1803) on existing contracts with a single process for software development. The new single process will eliminate the requirement for providing paper copies of in-process software code to the program offices each quarter. Instead, program offices will be provided on-line, real-time access to the software code as it is developed.

ABC Company estimates that it will cost \$1,350,000 to implement the new process. ABC Company also estimates that the new process will result in savings (net of implementation costs) on existing contracts of \$1,400,000. For future contracts, annual savings of \$12,000,000 are expected beginning in fiscal year 1997.

### **SCOPE**

As requested, we applied procedures to review the overall reasonableness of the cost/benefit analysis, including ABC Company's single process implementation plans and procedures and associated costs, and identification of changed (deleted and new) requirements and related savings estimates. We also applied procedures to review ABC Company's estimate of savings on existing contracts, and annual future savings that will be reflected in the contractor's forward pricing, if the new process is approved. These procedures were coordinated with your office on December 6, 1996. Due to the limited information included in the cost/benefit analysis, we did not perform the customary auditing procedures necessary to constitute an examination made in accordance with generally accepted government auditing standards.

### **RESULTS**

#### **(First Example - No Exceptions)**

The cost/benefit analysis includes a reasonable general dollar magnitude estimate of implementation costs and related savings.

ENCLOSURE 3

Page 1 of 2

### **(Second Example - Savings Understated And Implementation Costs Overstated)**

In connection with the application of the agreed-upon procedures, we found that the implementation costs were overstated by \$500,000. ABC Company included implementation costs of \$500,000 to purchase additional computer hardware to provide on-line access to in-process software development. We found that existing hardware is sufficient to provide the on-line access. ABC Company agrees and will revise its cost/benefit analysis.

We also found that annual future savings were understated by \$7,500,000. ABC Company did not include the savings for all anticipated contracts in the estimate. ABC Company agrees and will revise its cost/benefit analysis.

### **(Third Example - Contractor Did Not Prepare An Estimate Of Long-Term Savings To Include In Forward Pricing)**

The cost/benefit analysis includes a reasonable general dollar magnitude estimate of implementation costs and savings on existing contracts. However, the contractor did not prepare an estimate of future savings to include in forward pricing proposals. ABC Company initially said that the estimate of future savings will be prepared at a later date when better information is available. We recommended that ABC Company prepare a general dollar magnitude estimate of future savings based on existing information to provide for timely incorporation into the forward pricing after the single process has been approved. This estimate will also help the government to assess the overall savings from implementing the new process. ABC Company now agrees to prepare an estimate of future savings to reflect in forward pricing and will provide that estimate by January 7, 1997.

### **(Fourth Example - Implementation Costs Exceed Savings)**

The cost/benefit analysis includes a reasonable general dollar magnitude estimate of implementation costs and savings. However, implementation costs exceed potential savings by a significant amount. We recommend that the contractor provide sufficient rationale to justify the government accepting a process change that will result in increased costs. ABC Company says that the new process will substantially increase the quality of its software development process and will provide supporting data to your technical staff by January 7, 1997.

### **(Concluding Paragraph - All Examples)**

This report pertains only to the application of agreed-upon procedures to review the contractor's cost/benefit analysis. These procedures do not constitute an audit conducted in accordance with generally accepted government auditing standards.





IN REPLY REFER TO

**DEFENSE CONTRACT AUDIT AGENCY**  
8725 JOHN J. KINGMAN ROAD, SUITE 2135  
FORT BELVOIR, VA 22060-6219

PSP 730.4.15

6 August 1996  
96-PSP-103(R)

**MEMORANDUM FOR REGIONAL DIRECTORS, DCAA**  
**DIRECTOR, FIELD DETACHMENT, DCAA**

**SUBJECT:** Audit Guidance on DCAA Participation in the Single Process Initiative  
and the Allowability of Contractor Costs for Obtaining International Organization  
for Standardization (ISO) Registrations

On January 30, 1996 and February 16, 1996, we issued initial audit guidance memoranda on DCAA participation in the single process initiative (reference 96-PSP-013 and 96-PSP-020). The purpose of this memorandum is to re-emphasize the earlier guidance and to provide additional guidance based on early feedback from DCAA's participation in the initiative.

The principal role of the auditor in the single process initiative is to provide advice to the administrative contracting officer on the reasonableness of the cost-benefit analysis included in the contractor's concept paper for the change to the single process. The cost-benefit analysis should identify the major activities needed to implement the new process and a general dollar magnitude (GDM) estimate of the implementation cost for each activity. The analysis should also identify the requirements that will be deleted after implementation of the new process and a GDM estimate of the savings. The savings estimate generally should be in two parts - an estimate of the annual savings after implementation of the new process and an estimate of the savings on existing contracts.

The auditor is also responsible for determining that the forward pricing rates include the savings and the costs from implementing the new process. The contractor should reflect the savings and costs in the rates shortly after the change to the new process is approved by the administrative contracting officer. The Department expects substantial savings in future years as a result of contractor implementation of single processes. The contractor's cost-benefit analysis should generally show substantial savings for future years to reflect in the forward pricing rates. If the cost-benefit analysis does not show substantial savings in future years, the auditor should apply sufficient review procedures to determine if the savings are understated and the reasons the contractor is not forecasting substantial savings for future years.

PSP 730.4.15

SUBJECT: Audit Guidance on DCAA Participation in the Single Process Initiative and the Allowability of Contractor Costs for Obtaining International Organization for Standardization (ISO) Registrations

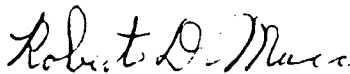
The review of the contractor's cost-benefit analysis will generally be an agreed-upon procedure review as described in CAM 9-206c and 10-306. The review should be performed under activity code 28000.

We have developed a report example to assist in preparing reports on the results of reviewing contractor cost-benefit analyses. The example report is attached as Enclosure 1 and addresses several different situations. We would appreciate it if FAOs would provide us a copy of each report issued on a cost-benefit analysis. Please send them to Headquarters (Attention: PSP). This will help us to quickly identify issues that may require future guidance.

There have been several single process approvals to date that allow the use of commercial quality systems (e.g., ISO 9000, 9001, 9002) instead of quality systems based on military specifications (e.g., MIL-Q-9858A and MIL-I-45208A). These commercial quality systems usually require ISO registrations that include third-party review and certification of the system and registration fees. There have been some questions as to whether these registration costs are allowable. Enclosure 2 is a May 13, 1996 Defense Contract Management Command policy memorandum on this subject. It states that ISO registration costs are allowable to the extent the costs are reasonable and allocable to DoD contracts. DCAA fully supports the policy memorandum.

Also attached as Enclosure 3 is a recent weekly DCMC activity report on the single process initiative. Future weekly reports will be cc:Mailed to the regional special programs office and the FAO cognizant of any contractor specifically mentioned in the reports.

We will continue to provide guidance on this initiative as needed and keep the field informed on new developments. Each region has designated a person in the special programs office to help FAOs on issues that result from this initiative. A "help line" has also been established in the Special Projects Division at Headquarters to provide real time assistance to the regions and FAOs. The "help line" number is (703) 767-3290 and the fax number is (703) 767-3234. You may also cc:Mail information to \*PSP.

  
FCN Lawrence P. Uhlfelder  
Assistant Director  
Policy and Plans

Enclosures:

1. Report Example
2. DCMC Policy Memorandum
3. DCMC Activity Report

Distribution: C

## **EXAMPLES OF AGREED-UPON PROCEDURES REPORT FORMAT**

### **SUBJECT**

As requested by DCMC-Alexandria on June 2 1996, we applied agreed-upon procedures to review the cost/benefit analysis within the concept paper submitted by ABC Company on 1 June 1996. ABC Company proposes in the concept paper to replace several software development military standards and specifications (DoD Standards 2167A and 2168, and MIL Standards 1521B and 1803) on existing contracts with a single process for software development. The new single process will eliminate the requirement for providing paper copies of in-process software code to the program offices each quarter. Instead, program offices will be provided on-line, real-time access to the software code as it is developed.

ABC Company estimates that it will cost \$350,000 to implement the new process. ABC Company also estimates that the new process will result in savings on existing contracts of \$400,000. For future contracts, annual savings of \$2,000,000 are expected beginning in fiscal year 1997.

### **SCOPE**

As requested, we applied agreed-upon procedures to review the overall reasonableness of the cost/benefit analysis, including ABC Company's single process implementation plans and procedures and associated costs, and identification of deleted requirements and related savings estimates. We also applied procedures to review ABC Company's estimate of savings on existing contracts, and annual future savings that will be reflected in the contractor's forward pricing rates, if the new process is approved. We did not perform the customary auditing procedures necessary to constitute an examination made in accordance with generally accepted government auditing standards.

### **RESULTS**

#### **(First Example - No Exceptions)**

The cost/benefit analysis includes a reasonable general dollar magnitude estimate of implementation costs and related savings.

#### **(Second Example - Savings Understated And Implementation Costs Overstated)**

In connection with the application of the agreed-upon procedures, we found that the implementation costs were overstated by \$100,000. ABC Company included implementation costs of \$100,000 to purchase additional computer hardware to provide on-line access to in-process software development. We found that existing hardware is

sufficient to provide the on-line access. ABC Company agrees and will revise its cost/benefit analysis.

We also found that annual future savings were understated by \$1,000,000. ABC Company did not include the savings for all anticipated contracts in the estimate. ABC Company agrees and will revise its cost/benefit analysis.

**(Third Example - Contractor Did Not Prepare An Estimate Of Long-Term Savings To Include In The Forward Pricing Rates)**

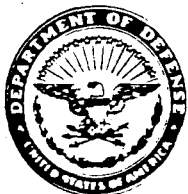
The cost/benefit analysis includes a reasonable general dollar magnitude estimate of implementation costs and savings on existing fixed price contracts. However, the contractor did not prepare an estimate of future savings to include in the forward pricing rates. ABC Company says that the estimate of future savings will be prepared at a later date when better information is available. We recommend that ABC Company prepare a general dollar magnitude estimate of future savings based on existing information to provide for timely incorporation into the forward pricing rates after the single process has been approved. This estimate will also help the government to assess the overall savings from implementing the new process.

**(Fourth Example - Implementation Costs Exceed Savings)**

The cost/benefit analysis includes a reasonable general dollar magnitude estimate of implementation costs and savings. However, implementation costs exceed potential savings by a significant amount. We recommend that the contractor provide sufficient rationale to justify the government accepting a process change that will result in increased costs. ABC Company says that the new process will substantially increase the quality of its software development process and will provide supporting data to your technical staff by 15 June.

**(Concluding Paragraph - All Examples)**

This report pertains only to the application of agreed-upon procedures to review the contractor's cost/benefit analysis. These procedures do not constitute an audit conducted in accordance with generally accepted government auditing standards.



DEFENSE LOGISTICS AGENCY  
THE DEFENSE CONTRACT MANAGEMENT COMMAND  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221

MAY 13 1996

IN REPLY  
REFER TO

AQOG

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS

SUBJECT: Contractor Costs for Obtaining International Organization for Standardization (ISO)  
Registrations

This is to clarify policy regarding the allowability of contractor costs for obtaining ISO registrations.

The evolving shift away from military specifications (e.g., MIL-Q-9858A, MIL-I-45208A) in favor of commercial specifications (e.g., ISO 9001, ISO 9002) raises a question: Should contractor costs incurred obtaining ISO registrations, including audit and registration fees, be considered allowable costs on DoD contracts? To the extent that the costs incurred by the contractor are reasonable and allocable to the DoD contract(s) in question, the answer is yes.

I expect this will settle questions regarding policy. We continue, of course, to rely on the professional expertise and judgement of our Administrative Contracting Officers, and the rest of the CAO team, to make sound decisions regarding reasonableness and allocability. The HQ DCMC point of contact for this issue is Dick Kane, Product & Manufacturing Assurance Team (AQOG), at (703) 767-2408 or DSN 427-2408.

ROBERT W. DREWES  
Major General, USAF  
Commander

cc: Mr. Frank Doherty, OUSD(A&T)DTSE&E/DDSE

AQO

August 2, 1996

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)  
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE  
(ACQUISITION AND TECHNOLOGY)  
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION REFORM)  
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,  
DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,  
DEVELOPMENT AND ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)

SUBJECT: Single Process Initiative (SPI) Weekly Activity Report

We have received 270 concept papers from 111 contractors proposing to modify 323 processes. Twenty-six contractors have modified 75 processes. Summary information is contained in attachments 1 and 2. Regarding consideration, no additional amounts have been reported this week.

Chrysler Technologies Airborne Systems, Inc., Waco TX and the local DCMC ACO signed a block change modification. This modification concerned the direct submission of public vouchers.

Lockheed Martin Syracuse, NY; Lockheed Martin Johnson City, NY; Northrop Grumman, Dallas, TX; and Loral Western Development Labs, San Jose, CA; and the respective local DCMC ACOs signed block change modifications which replaced existing quality requirements with ISO 9001 for all applicable contracts.

I want to congratulate all those involved with the successful execution of the modifications listed above. While these changes did not result in any consideration, the efficiencies obtained will benefit all future work at these plants.

If you have any questions or concerns, please contact Mr. James Bauer, Block Change Management Team Leader, at (703) 767-2471.

*(Signed)*  
ROBERT W. DREWES  
Major General, USAF  
Commander

Attachments

cc:  
Dr. Kenneth Oscar  
Mr. Daniel Porter  
Ms. Darleen Druyun  
VADM Lockard  
VADM Straw  
Maj Gen Hallin

# Summary Report

(as of August 1, 1996)

Number Of Contractors with Concept Papers: 111  
 Key Customer Notification Complete: 75  
 Component Team Leaders Identified: 56  
 Number of Concept Papers Received: 270  
 Concept Papers Withdrawn: 33

**Concept  
Papers**

**Proposal  
Development -  
Concept Paper -  
(30 Days)**

**Approval Cycle -  
Customer  
Notification and  
Agreement -  
Resolution of  
Differences -  
(60 days)**

**Modification  
Issuance -  
Negotiation of  
Consideration  
(30 Days)**

*Concept papers may contain multiple processes*

Total Proposed Process Changes: 323  
 Number Initially Accepted : 255  
 Not Accepted Within 30 Days: 50

Found Technically Acceptable: 94  
 Found Unacceptable: 9

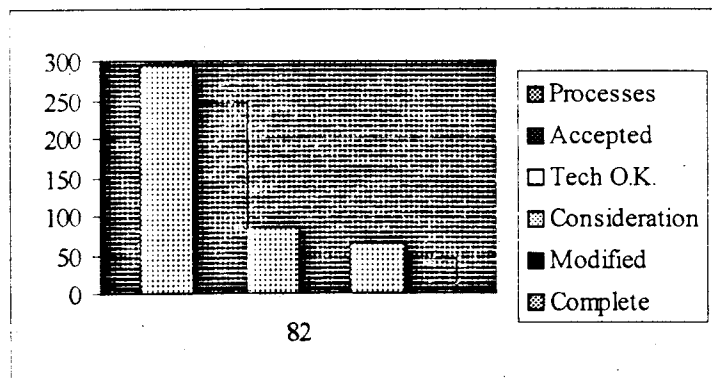
Components objecting  
 AF Army Navy DLA DCMC  
 7 4 8 0 3

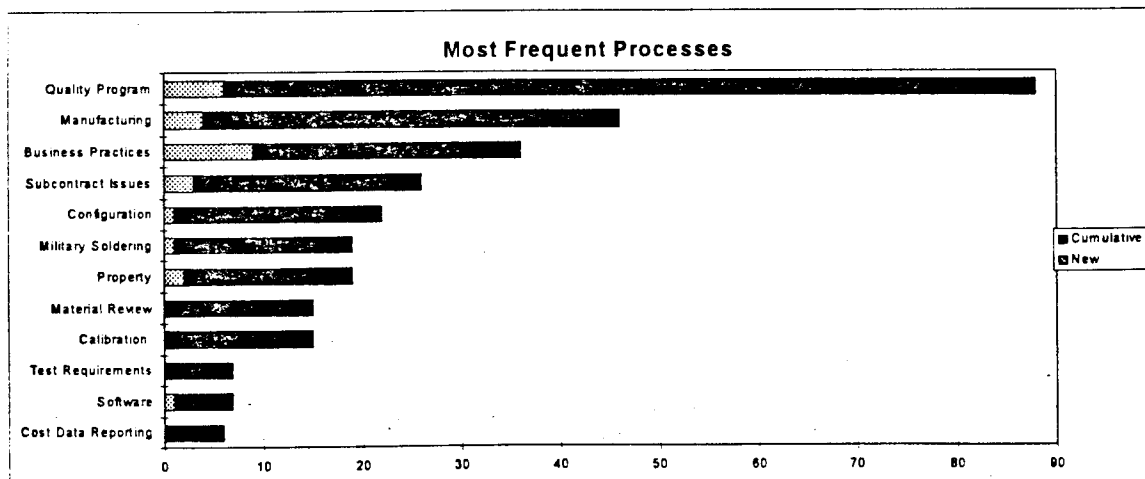
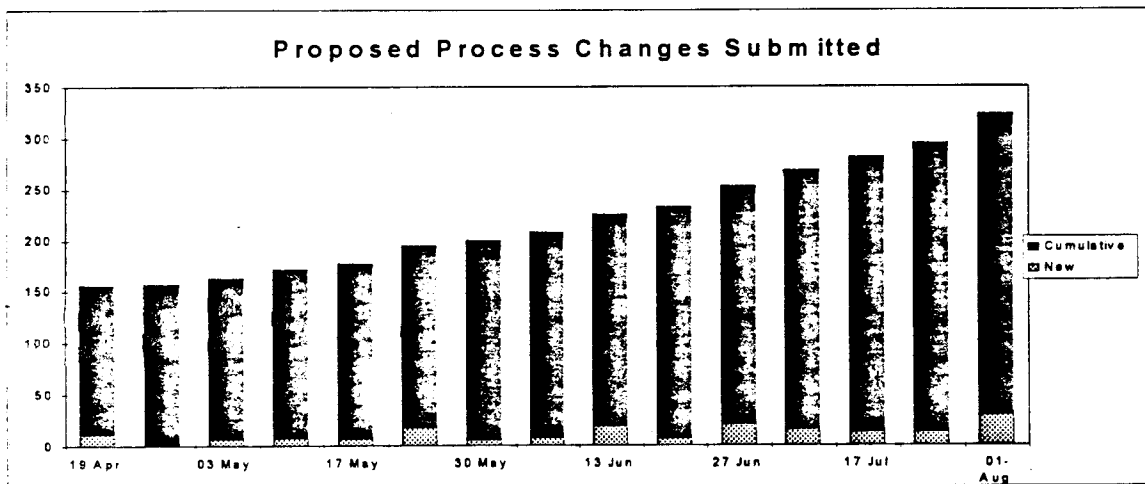
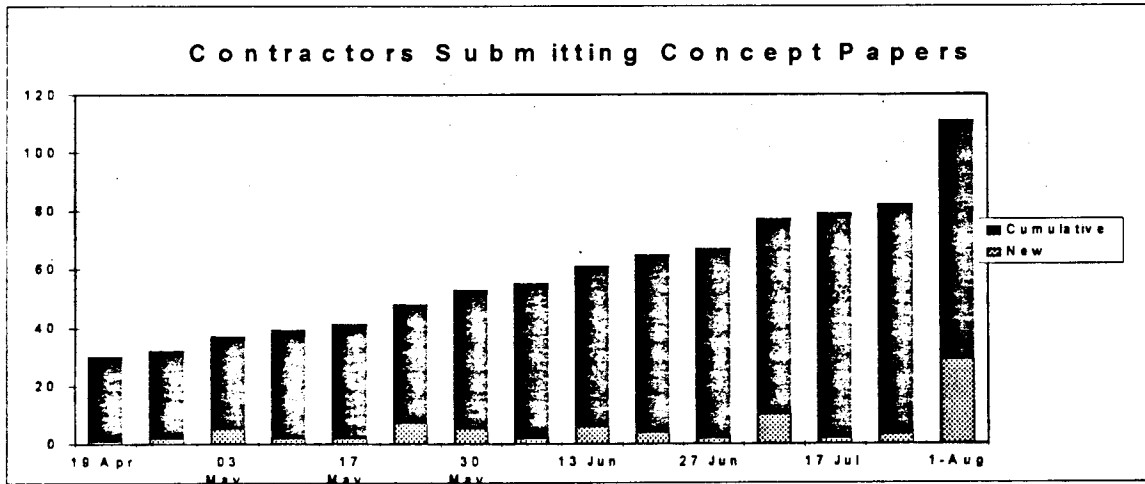
Disagreements/Problems Escalated: 1  
 Not approved within 60 days: 82

Processes Modified: 75  
 All Actions Complete: 49  
 Not Modified within 30 days: 21

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 Consideration Requested by Government: 44  
 Cost Proposals Received: 36  
 Consideration Finalized: 16  
 Consideration Obtained to Date: \$6,077,000  
 Average Days From Submittal to Mod: 95  
 Currently Active: 240









**DEFENSE CONTRACT AUDIT AGENCY**  
8725 JOHN J. KINGMAN ROAD, SUITE 2135  
FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

PSP 730.4.6

16 February 1996  
96-PSP-20(R)

**MEMORANDUM FOR REGIONAL DIRECTORS, DCAA**  
**DIRECTOR, FIELD DETACHMENT, DCAA**

**SUBJECT: Audit Guidance on DCAA Participation in the Common Process Initiative**

We recently issued guidance on the subject new DoD initiative in MRD 96-PSP-013(R), dated January 30, 1996. The purpose of this memorandum is to provide additional audit guidance and recent developments on the initiative.

**ADDITIONAL AUDIT GUIDANCE**

In our January 30, 1996 memorandum, we advised that several contractors will be submitting concept papers (to request the use of a common process on government contracts) to management councils for review and approval. If the management council approves the contractor's request, the contracting officer will immediately execute block changes to authorize the use of the common process on existing contracts. The contractor should also update its forward pricing rates as soon as possible after the common process has been approved to incorporate the expected savings and costs from the new process.

**RECENT DEVELOPMENTS**

The Defense Contract Management Command recently issued three activity reports on the initiative that list the concept papers submitted to date. These three activity reports, dated January 16, February 1, and February 9, are attached for your information. We suggest that FAOs cognizant of the contractors that have submitted concept papers contact the responsible contracting officer to discuss and coordinate any needed financial advisory services.

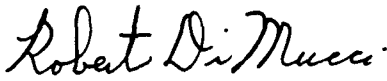
**CONCLUDING REMARKS**

We will continue to provide guidance on this initiative as needed and keep the field informed of new developments. Each region has designated a person in the Special Programs Office to help FAOs on issues that result from this new initiative. We will be participating in telecons with the Special Programs Office over the next several weeks to discuss issues and work "questions and answers" on the initiative. We will share the results of these telecons with the

16 February 1996  
96-PSP-20(R)

SUBJECT: Audit Guidance on DCAA Participation in the Common Process Initiative

field. A "help line" has also been established in the Special Projects Division to provide real-time assistance to the regions and FAOs. The "help line" number is (703) 767-3290.

  
FOR Lawrence P. Uhlfelder  
Assistant Director  
Policy and Plans

Enclosures

1. January 16, 1996 DCMC Activity Report
2. February 1, 1996 DCMC Activity Report
3. February 9, 1996 DCMC Activity Report

DISTRIBUTION: C



**DEFENSE LOGISTICS AGENCY**  
THE DEFENSE CONTRACT MANAGEMENT COMMAND  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221



IN REPLY  
REFER TO A QO

JAN 16 1996

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (RESEARCH,  
DEVELOPMENT & ACQUISITION)  
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,  
DEVELOPMENT & ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)

SUBJECT: Adoption of Common Process at Defense Contractor Facilities Activity

This updates you on our implementation of Secretary Perry's December 6, 1995 memorandum directing acceleration of common process block changes at contractor facilities. In my December 11, 1995 memo to you, I promised to provide you updates on the status of contractors' submissions. This is our first activity report. There have been no formal contractor submittals of concept papers since Secretary Perry's announcement. I have, however, attached for your information some data we received from our field activities. It is provided to give you a general sense of the type of initial discussions and actions taking place. I am initiating a more stringent reporting process to better gauge the progress of the initiative and will provide a weekly update starting February 2, 1996. It is imperative that we maintain a common front in encouraging and supporting contractor efforts to move to common processes.

A DCMC Common Process Management Team has been established to coordinate our actions. Thank you for your support in providing a representative to serve on the team. They have been very helpful in assisting us with our startup efforts.

If you have any questions or concerns, please contact Mr. Mike Vezeau, (703) 767-2471.

*Y/R*  
*Robert W. Drewes*  
ROBERT W. DREWES  
Major General, USAF  
Commander

Attachment

cc:  
MM  
DCAA  
DUSD(AR)



## BLOCK CHANGE ACTIVITY REPORT

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### Initial Discussion Common Process

- AIL; Long Island, NY
  - Grumman; St. Augustine, FL
  - Lockheed Martin Armament Systems; Burlington, VT
  - Lockheed Martin Defense Systems; Pittsfield, MA
  - Loral Federal Systems; Owego, NY
  - Loral Vought (Northrop); Dallas, TX
  - Martin Marietta; Orlando, FL
  - Motorola; Mesa, AZ
  - Northrop Grumman; Bethpage, NY
- 

- Grumman and DPRO are setting up a Management Council; process has not yet been selected.
- Both Lockheed facilities are in the concept stage and are looking at commercial standards.
- Loral Federal Systems and the DPRO have formed a joint Executive Committee to select processes for this initiative.
- Northrop Grumman is looking at implementing a common process in the quality area.

## BLOCK CHANGE ACTIVITY REPORT

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### Active Discussion Common Process

- Allied Signal, Inc.
  - AVTRON Electronics
  - GE Aircraft Engines; Lynn, MA
  - ITT
    - Aerospace/Communication Division (ACD); Ft. Wayne, IN
    - Avionics Division; Clifton, NJ
    - Gilfillan Division; Van Nuys, CA
    - Electro-Optics Division (EOPD); Roanoke, VA
    - Federal Services Company (FSC); Colorado Springs, CO
    - Gallium Arsenide Technology Center (GTC); Roanoke, VA
    - Cannon Connectors; Santa Anna, CA
- 

- General Electric Aircraft Engines, Lynn, MA and the DPRO are implementing a block change on Mil Std 1567A, Work Measurement as a nonvalue added requirement. Also working with NAVAIR and ATCOM on IPTs to go to commercial standards for the T-700 engine and conversion to ISO 9000.

- ITT has identified POCs at each of these divisions for implementing common process. Our ACOs have contacted these POCs to help facilitate the process.

## BLOCK CHANGE ACTIVITY REPORT

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### Active Discussion Con't

- Lockheed Sanders, Inc.; Nashua, NH
  - Lockheed/Martin; ASTRO Space Div; Valley Forge, PA
  - Raytheon Electronics Systems
    - Andover, MA
    - Waltham, MA
    - Portsmouth, RI
    - Bristol, TN
    - Huntsville, AL
  - SCI Technology, Inc.; Huntsville, AL
  - Texas Instruments; Dallas, TX
  - UDLP; York, PA
- 

- Lockheed Sanders, Nashua, NH and the DPRO are looking at using ISO 9001/2 system(s) in place of currently required Mil-Q-9858A and Mil-I-45208.

- Lockheed/Martin, ASTRO Space Division has established and implemented a standard procedure for doing Electro Static Discharge. They are also in initial discussion on conversion to ISO 9000.

- Raytheon Electronic Systems has merged its streamlining efforts under a Reinvention Lab which has generated 31 specific recommendations.

- SCI Technology, Inc. is looking at converting from Mil-Q-9858A to ISO 9000. They are also looking at calibration because of three different standards (Mil-Std 45662 and two ISO standards).

- Texas Instruments has identified 38 base specs (65 variants) related to electronic assembly and categorized them into 13 categories (represents 90% of savings) to select one spec to represent the group. Top eight of thirteen are: solder, quality, electro-static discharge, inspection, encapsulation, factory environment, calibration, and work/qual standards.

- UDLP Quality Round table has developed 22 clauses that normalize different requirements for Army contracts. BG Andrews, CG TACOM and Tom Rabaut, President of UDLP have each appointed "Czars". These czars have a committee of advisors made up of UDLP, Army, and DCMC personnel.



REPLY  
REFER TO AQOG

DEFENSE LOGISTICS AGENCY  
THE DEFENSE CONTRACT MANAGEMENT COMMAND  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221



FEB -1, 1996

MEMORANDUM FOR PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE  
(ACQUISITION & TECHNOLOGY)  
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION  
REFORM)  
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,  
DEVELOPMENT & ACQUISITION)  
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,  
DEVELOPMENT & ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)

SUBJECT: Common Process Weekly Activity Report

This is the first activity report to update you on the implementation of Secretary Perry's December 6, 1995 memorandum directing acceleration of common process block changes at contractor facilities. This information will help us maintain a common front in encouraging and supporting contractor efforts to move to common processes.

There is considerable contractor interest. Our field offices state that many contractors are reviewing their process requirements in an effort to move toward a uniform, efficient common process. To date, five concept papers have been received. A summary of each concept paper is at attachment 1. The complete report will be issued to your representative on the block change management team. It is interesting to note that there is not one prevalent process identified.

Both the Army and the Air Force submitted a list of contractor facilities for suggested participation in this initiative. The program offices for each Service are actively working these facilities through their Program Executive Office structure. Our cognizant contract administration offices have contacted the facilities and informed them of the common process initiative and the Service's desire for them to participate. The results of our inquiries to the contractor facilities are at attachment 2.

There has also been considerable activity from the Program Executive Offices in informing the buying activities about this acquisition reform. Knowledge of the purpose and intent of this initiative must be spread more widely in order to succeed. There have been many requests for DCMC to educate the program offices. We need your continued support in reinforcing this important initiative.

If you have any questions or concerns, please contact Mr. Jim Bauer, Block Change Management Team Leader at (703) 767-2471.

ROBERT W. DREWES  
Major General, USAF  
Commander

Attachments

## Summary of Concept Papers Received

1. Lockheed Martin Corp. of Orlando, FL submitted a concept paper on 12 Jan 96. They are proposing a change from MIL-Q-9858A/DoD-STD-2168/MIL-S-52779A to ISO 9000. The key customers affected are MICOM, ATCOM, ASC, and NAVAIR. In-house review and the positions are scheduled for completion NLT 12 Feb 96.
2. Northrop Grumman Corp. of Rolling Meadows, IL submitted a concept paper on 12 Jan 96. They are proposing a change to the calibration system by replacing obsolete MIL-STD-45662A with ISO 10012. The process has been reviewed by DCMC Chicago and DCAA and forwarded to the F-15 SPO at Wright-Patterson AFB for approval.
3. Lockheed Martin Technical Aircraft Systems of Ft. Worth, TX submitted a concept paper on 10 Jan 96. They are proposing to replace DoD-STD-2167, Defense System Software Development, and DoD-STD-2168, Defense System Software Quality Program with their in-house software quality assurance procedures. The key customers affected are F-16 SPO, F-22 SPO, and Hill AFB. The proposed change is being reviewed by the key customers, the DPRO, and the contractor. A VTC is scheduled for 2 Feb 96.
4. Texas Instruments, Inc. of Dallas, TX submitted a concept paper on 26 Jan 96. They are proposing the following: a change from MIL-Q-9858A to ISO 9000; replacing the canceled soldering MIL-STD 2000 with ANSI J STD 001; using ISO 9001 to replace MIL-Q-9858A for inspection and calibration; using ANSI J STD 001 for encapsulation; using IPC 610 to replace a wide range of acceptance criteria; using ANSI/EIA 625 a commercial spec for electro-static discharge sensitive device protection (more stringent than MIL-STD 1686); and a Texas Instrument environment facility developed standard. The key customers affected are NAVAIR, AF OGDEN, and MICOM. The key customers are in the process of reviewing the technical acceptability.
5. GE Aircraft Engines Evandale (GEAE), OH and Lynn, MA submitted a concept paper on 29 Jan 96. They are proposing to eliminate MIL-STD-1567A, Work Measurement, a canceled standard. This may fall under the category of a nonvalue added specification. The key customer affected is the propulsion SPO. An impasse has been reached on this proposal. GEAE is adamant that there will not be an alternative (commercial-based) system placed on the contract as an alternative process. GEAE has identified that they will continue performing certain functions without the presence of a military standard/requirement. If these functions are continued, all members of the government review team (DPRO/ASC) would be satisfied; however, the review team firmly believes these efforts should be defined either with a company specification or a performance specification/objective placed on the contract. GEAE feels that 'canceled without replacement' means the government has deleted the requirement for a particular system altogether. The customer feels that there is still a valid need for a system to track touch labor costs.



## Army and Air Force Nominations for participation in the Common Process Initiative

Our contract administration office has contacted senior company officials (i.e., president, vice-president, or general manager) at each of these facilities. All were interested in the concept, with some contractors having a greater understanding than others. DCMC is working with the contractor and the customer to ensure that processes are identified and concept papers are submitted.

### Army:

- + Lockheed-Martin: Lockheed-Martin, Orlando, FL has submitted a concept paper.
  - Lockheed-Martin, Sunnyvale, CA: considering the following areas:
    - performance schedule, property, and transition to ISO 9000
- + Loral Vought, Dallas, TX: considering the following areas: soldering, welding, mil specs, and business processes
- + Sikorsky, Stratford, CT: considering a transition from MIL-Q-9858A to ISO 9000
- + Motorola, Scottsdale, AZ: company is reviewing their processes
- + UDLP, York, PA: - considering a transition from MIL-Q-9858A to ISO 9000
  - transition to a streamlined Material Review Board (MRB) process
  - expand the use of welding criteria 12309000 (eliminate duplicative welding requirements)
- + AM General: company is reviewing their processes
- + Texas Instrument, McKinney, TX: concept paper submitted
- + McDonnell Douglas, Mesa, AZ: considering a transition from MIL-Q-9858A to ISO 9000
- + Oshkosh: company is reviewing their processes
- + ITT, Ft. Wayne, IN: company is reviewing their processes

### Air Force:

- + Boeing Aircraft Company, Seattle, WA: - considering a transition from MIL-Q-9858A to ISO 9000
  - standardize printed circuit board repair by eliminating MIL-P-55110
  - standardize two soldering processes at their commercial and military electronics facilities
  - specifications and standards: studying DoD efforts to eliminate, combine, or replace the "hot" 105 military specifications and standards with best commercial practices
- + Hughes Missile Systems, Tucson, AZ: considering a total of 13 processes; the major ones being:
  - a common configuration management process among the services
  - a common soldering specification
  - a common process for testing the reliability and quality of the end product

## Army and Air Force Nominations for participation in the Common Process Initiative

- + Lockheed Martin; Sunnyvale, CA: considering the following areas: performance schedule, property, and transition to ISO 9000
- + Loral Command and Control; Colorado Springs, CO: company is reviewing their processes
- + McDonnell Douglas; St. Louis, MO: considering property issues (disposal, contractor property representative)
- + Rockwell International; Seal Beach, CA: company is reviewing their processes



IN REPLY  
REFER TO AQ

**DEFENSE LOGISTICS AGENCY**  
THE DEFENSE CONTRACT MANAGEMENT COMMAND  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221

**FEB 9 1996**



**MEMORANDUM FOR PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE  
(ACQUISITION & TECHNOLOGY)  
DEPUTY UNDER SECRETARY OF DEFENSE (ACQUISITION  
REFORM)  
ASSISTANT SECRETARY OF THE ARMY (RESEARCH,  
DEVELOPMENT & ACQUISITION)  
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,  
DEVELOPMENT & ACQUISITION)  
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)**

**SUBJECT: Common Process Weekly Activity Report**


This is the second activity report updating you on the implementation of the single process initiative at contractor facilities. This information will help us maintain a common front in encouraging and supporting contractor efforts to move to common processes.

Three new concept papers were received. A summary of each concept paper is at Attachment 1. The complete report will be issued to your representative on the block change management team. Updates to the previously submitted concept papers are at Attachment 2.

A letter has been sent to the National Aeronautics and Space Administration (NASA) and 15 other agencies informing them of this DoD acquisition reform initiative and the role the Defense Contract Management Command (DCMC) shall play in its implementation. Their assistance was requested at those facilities with both defense and civilian agency business in order to realize the full benefits of this reform effort. We are scheduled to meet with the NASA Associate Administrator for Safety and Mission Assurance next week to further discuss this initiative.

The DoD Deputy Inspector General (IG) was briefed on the common process initiative on January 30, 1996. The DoD IG office plans to inspect the block change modifications completed at both McDonnell Douglas, St. Louis, MO, and Texas Instruments, Dallas, TX (tentatively scheduled for the first week in March).

If you have any questions or concerns, please contact Mr. Jim Bauer, Block Change Management Team Leader, at (703) 767-2471.

  
**ROBERT W. DREWES**  
Major General, USAF  
Commander

Attachments  
cc: MM

Enclosure 3

## Summary of New Concept Papers Received

1. Raytheon Electronic Systems executed a block change modification on February 7, 1996. The modification authorized: (1) replacement of all soldering military specs or standards with ANSI/J-STD-001A Class 3; (2) deletion of requirements specifying approval of Class 2 engineering changes by the PCO and allowing submission in contractor format to the PCO after DCMC concurrence; (3) substitution of process controls for inspection or test requirements below the end item level necessary for final acceptance; (4) elimination of physical configuration audits; (5) elimination of annual recertification of test stations; (6) deletion of the requirement in MIL-STD-1520 (Correction Action and Disposition System for Nonconforming Material) that requires submissions to the Material Review Board of minor nonconformances; (7) reduction of the baseline and manpower formats of the Cost Performance Report; (8) deletion of the annual submission of cost data summary reports; (9) replacement of MIL-STD-45662A (calibration) with ANSI Z540; and (10) deletion of the requirement for the rescreening of components. The key customers are MICOM, NAVSEA, NAVAIR, and AFSC. Raytheon will deliver cost proposals on significant impacts by February 29, 1996.

2. GE Aircraft Engines Evandale (GEAE), OH, and Lynn, MA, submitted a concept paper on February 5, 1996. They are proposing a change from MIL-Q-9858A to ISO 9001. The key customers are ASC/LP (Propulsion SPO) and NAVAIR. The concept paper is being reviewed by the Government review team for adequacy.

3. GE Aircraft Engines Evandale (GEAE), OH, and Lynn, MA, submitted another concept paper on February 5, 1996. They are proposing to remove without replacement MIL-STD-1520 (Correction Action and Disposition System for Nonconforming Material). The key customers are ASC/LP (Propulsion SPO) and NAVAIR. The concept paper is being reviewed by the Government review team for adequacy.

Update on Previous Concept Papers Received  
(Note: Updates in Italics)

1. Lockheed Martin Corp. of Orlando, FL, submitted a concept paper on January 12, 1996. They are proposing a change from MIL-Q-9858A/DoD-STD-2168/MIL-S-52779A to ISO 9000. The key customers affected are MICOM, ATCOM, ASC, and NAVAIR. In-house review and the positions are scheduled for completion NLT February 12, 1996. *No change.*
2. Northrop Grumman Corp. of Rolling Meadows, IL, submitted a concept paper on January 12, 1996. They are proposing a change to the calibration system by replacing obsolete MIL-STD-45662A with ISO 10012. The process has been reviewed by DCMC Chicago and DCAA and forwarded to the F-15 SPO at Wright-Patterson AFB for approval. *No change.*
3. Lockheed Martin Technical Aircraft Systems of Ft. Worth, TX, submitted a concept paper on January 16, 1996. They are proposing to replace DoD-STD-2167, Defense System Software Development, and DoD-STD-2168, Defense System Software Quality Program, with their in-house software quality assurance procedures. The key customers affected are F-16 SPO, F-22 SPO, and Hill AFB. The proposed change is being reviewed by the key customers, the DPRO, and the contractor. A VTC is scheduled for February 2, 1996. *Dr. Halpin is working with the F-16 SPO on the shift from MIL STDs to contractor common process for software. The February 2 VTC was delayed by the F-16 SPO OPR (date TBD) to ensure various key customers were notified and could support such a meeting at the F-16 SPO.*
4. Texas Instruments (TI), Inc., of Dallas, TX, submitted a concept paper on January 26, 1996. They are proposing the following: a change from MIL-Q-9858A to ISO 9000; replacing the canceled soldering MIL-STD-2000 with ANSI J STD 001; using ISO 9001 to replace MIL-Q-9858A for inspection and calibration; using ANSI J STD 001 for encapsulation; using IPC 610 to replace a wide range of acceptance criteria; using ANSI/EIA 625 a commercial spec for electrostatic discharge sensitive device protection (more stringent than MIL-STD-1686); and a Texas Instrument environment facility developed standard. The key customers affected are NAVAIR, AF OGDEN, and MICOM. The key customers are in the process of reviewing the technical acceptability. *Three meetings are scheduled at TI. The first is a joint TI/Government High-speed Anti-radiation Missile (HARM) production team meeting, February 6-8, to discuss opportunities that the Perry Initiatives offer and plan how HARM can best implement these methods. Component team members and functional/technical experts who will evaluate the proposed common process will be identified at the component/program assessment team meeting February 8-9. Dr. Kaminski will be briefed by TI on their proposed common process on February 9.*
5. GE Aircraft Engines Evandale (GEAE), OH and Lynn, MA submitted a concept paper on January 29, 1996. They are proposing to eliminate MIL-STD-1567A, Work Measurement, a canceled standard. This may fall under the category of a nonvalue added specification. The key customer affected is the propulsion SPO. An impasse has been reached on this proposal. GEAE is adamant that there will not be an alternative (commercial-based) system placed on the contract as an alternative process. GEAE has identified that they will continue performing certain functions without the presence of a military standard/requirement. If these functions are continued, all members of the Government review team (DPRO/ASC) would be satisfied; however, the review team firmly believes these efforts should be defined either with a company

specification or a performance specification/objective placed on the contract. GEAE feels that 'canceled without replacement' means the Government has deleted the requirement for a particular system altogether. The customer feels that there is still a valid need for a system to track touch labor costs. *No change.*



**DEFENSE LOGISTICS AGENCY**  
HEADQUARTERS  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221



IN REPLY  
REFER TO

MMPOA  
PROCLTR 96-06

FEB 29 1996

**MEMORANDUM FOR PROCLTR DISTRIBUTION LIST**

**SUBJECT: Adoption of Common Processes at Defense Contractor Facilities**

One important aspect of acquisition reform has been the transition from government and military specifications and standards to those established and utilized in the private sector. On December 6, 1995, Defense Secretary William J. Perry signed a memorandum (Attachment 1) in which he directed that "block changes to the management and manufacturing requirements of existing contracts be made on a facility-wide basis, to unify management and manufacturing requirements within a single facility, wherever such changes are technically acceptable to the government." He declared that the single point of contact for this transition from the original standards to non-government specifications and industry practices will be the Administrative Contracting Officer (ACO) assigned to the affected location. His memorandum stated that the Under Secretary of Defense for Acquisition and Technology (USD(A&T)) would issue additional guidance to facilitate a streamlined review of a contractor's proposals for replacing government-unique requirements with uniform ones within that contractor's facility. The USD(A&T), Dr. Paul Kaminski, accordingly released a memorandum (Attachment 2) on December 8, 1995, in which he stated: "I...direct that, effective immediately, ACOs have the authority to execute class modifications, subject to receipt of necessary programmatic authorization from affected components."

The purpose of this PROCLTR is twofold: first, to provide guidance on "programmatic authorization" and the entire block change process as these pertain to DLA; and second, to clarify that the memoranda from the Secretary and Under Secretary are consistent with the FAR requirement for a specific delegation of authority from the individual contracting office to the CAO for functions other than those listed in FAR paragraph 42.302(a).

DoD's first use of the single, or common, process procedure occurred when Texas Instruments (TI) requested conversion of contractual requirements for MIL-I and MIL-Q quality system standards to the ISO (International Organization for Standards) 9000 series. The DCMC Plant Representative Office (DPRO) at TI was willing to modify the hundreds of contracts under the DPRO's cognizance. However, in order to do so they wanted to use the block change procedure, in which one document would suffice as the modification for all affected contracts between the contractor and the cognizant DoD component. Rear Admiral Vincent, then DCMC Commander, offered the block change technique to the Services, who responded by letters of delegation signed by the Service Acquisition Executives (SAEs). At the time, because neither of the memoranda at Attachments 1 and 2 had yet been released, DLA chose to participate by a recommendation from



MMP to the contracting offices at pertinent ICPs (which presumably secured the agreement of the individual contracting officers) that such a delegation be provided to DCMC (Attachment 3). Although FAR coverage is often interpreted as requiring written delegations from individual contracting officers to CAOs (when subsection 42.202(a) is read in conjunction with paragraph 42.202(d)(2)), the correspondence from Drs. Perry and Kaminski serves as a general delegation to DCMC on behalf of all contracting officers. In order to fulfill the delegation for specific instances of single process changes and eliminate the necessity of processing numerous modifications, though, you must follow the procedures outlined below and in the attached DLAR coverage.

Accordingly, in the future when contractors submit common-process concept papers/proposals to the contract administration office (CAO) for evaluation, they will be reviewed at the facility level by the cognizant management council established by the DCMC field office. The council, which will consist not only of contractor personnel but also of the ACO, CAO technical and cost specialists, the assigned DCAA auditor, and the contractor's key customers, will review and determine whether the proposed change(s) can be approved on a no-cost, block-change basis. ("Key customers" generally mean those government buying activities comprising at least 80 percent of the customer buying-activity business base impacted by the process change.) Once the management council agrees with the proposal, the other buying activity/program management office customers must be advised of, and concur in, the process change. (See guidance established by DCMC at Attachment 4.) This is the likely point at which DLA buying activity involvement will occur.

In order to participate in the DoD procedure, there are a number of things ICPs need to do; these requirements are contained in the new DLAR Part 42 guidance (paragraph 42.202(a)(91)) at Attachment 5. Bear in mind that this is a streamlining practice advocated at the highest levels of DoD; our Agency also looks forward to the benefits of such a streamlined, proactive process. Delegations/concurrences with changes approved by a management council should generally be routine, and objections from contracting officers should be exceedingly rare.

This PROCLTR is effective immediately and will expire upon incorporation in the DLAR, but in any event not later than one year from the effective date of this letter. The point of contact is Ms. Mary Massaro, MMPOA, who can be reached at DSN 427-1366.

*Regina J. Jones*  
 2000-01-01  
 2000-01-01  
 (2000-01-01)

Attachments





6 DEC 1995

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARY OF DEFENSE (ACQUISITION AND  
TECHNOLOGY)  
UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
ASSISTANT SECRETARY OF DEFENSE (COMMAND,  
CONTROL, COMMUNICATIONS AND INTELLIGENCE)  
GENERAL COUNSEL  
INSPECTOR GENERAL  
DIRECTOR OF OPERATIONAL TEST AND EVALUATION  
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Common Systems/ISO-9000/Expedited Block Changes

My June 29, 1994 memorandum on Specifications and Standards directed the use of performance specifications to the maximum extent practicable, and the development of a streamlined procurement process to modify existing contracts to encourage contractors to propose non-government specifications and industry-wide practices that meet the intent of military specifications and standards which impose government-unique management and manufacturing requirements. Although much progress is being made in applying these principles on new contracts, this progress has itself shown that government-unique requirements on existing contracts prevent us from realizing the full benefits of these changes by requiring, in a single facility, multiple management and manufacturing systems designed to accomplish the same purpose. Because it is generally not efficient to operate multiple, government-unique management and manufacturing systems within a given facility, there is an urgent need to shift to facility-wide common systems on existing contracts as well.

In order to meet our military, economic and policy objectives in the future, and to expedite the transition to this new way of doing business, the direction given in my June 29, 1994, memorandum is hereby revised. In addition to the direction given there for government-unique specifications and standards, I now direct that block changes to the management and manufacturing requirements of existing contracts be made on a facility-wide basis, to unify management and manufacturing requirements within a facility, wherever such changes are technically acceptable to the government. The single point of contact for this effort will be the Administrative Contracting Officer (ACO) assigned to a facility.

044045 :95

Approved

The Under Secretary of Defense for Acquisition and Technology shall issue additional guidance necessary to facilitate the Department's streamlined review of contractor's proposals to replace government-unique management and manufacturing requirements in existing contracts with uniform requirements within the contractor's facilities.

We cannot afford to allow "business as usual" to delay this initiative. I therefore request that you and your leadership take an active role in expediting the transition of existing contracts and procurements to common systems.

William J. Perry



ACQUISITION AND  
TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE  
3010 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-3010



DEC 0 8 1995

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
ASSISTANT SECRETARY OF DEFENSE (COMMAND,  
CONTROL, COMMUNICATIONS AND INTELLIGENCE)  
GENERAL COUNSEL  
INSPECTOR GENERAL  
DIRECTOR OF OPERATIONAL TEST AND EVALUATION  
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Single Process Initiative

Secretary Perry's memorandum of December 6, 1995 requested that I promulgate guidance for making block changes to existing contracts to unify the management and manufacturing requirements of those contracts on a facility-wide basis, wherever such changes are technically acceptable to the government. Secretary Perry further directed that the single point of contact for this effort will be the Administrative Contracting Officer (ACO) assigned to a facility. Accordingly, I am providing the following additional guidance on these issues.

Replacement of multiple government-unique management and manufacturing systems with common, facility-wide systems should, in the long run, reduce the costs to both our contractors and the DoD. Contractors will, however, in most cases incur transition costs that equal or exceed savings in the near term. We expect that cases where this does not hold true are in the minority, mostly dealing with high value, long-term contracts. Accordingly, I direct use of an expedited, streamlined approach to ensure that the contractors' proposals of block changes are technically acceptable and to quickly identify those cases where there may be a significant decrease in the cost of performance of existing contracts.

ACOs are directed to encourage contractors to prepare and submit concept papers (see the attached TAB A) describing practices that will permit uniform, efficient facility-wide management and manufacturing systems and a method for moving to such systems. Contractor recommendations included in the concept paper should be accompanied by a cost-benefit analysis adequate to determine the rough order of magnitude of the costs and benefits to the contractor of the proposed system changes (including any impact on the cost of performance of existing contracts). This cost benefit analysis shall be performed without requesting certified cost or pricing data. The detail included in these concept papers/cost analyses is intended to be just sufficient to allow an informed,



ATTACHMENT 2

rapid judgement by the ACO on whether proposed changes to management and manufacturing processes can be approved on a no-cost, block change basis, applying guidance in this letter.

Where such a proposal is technically acceptable and there are no significant net savings in the cost of performing existing contracts, the ACO, after appropriate consultation with program managers, shall issue class modifications to those contracts without seeking an equitable adjustment. In those cases where the contractor's proposal will result in significant decreases in the overall net cost of performance of existing contracts, the contractor should be asked to submit a formal proposal for an equitable adjustment (consideration) and to submit separate, detailed cost data in support of the proposed amount. The negotiation of equitable adjustments should not delay the modification of contracts.

Note that the specific shift from MIL-Q-9858A to ISO-9000 does not in itself result in significant contractor savings in most contracts, and hence can be made on an expedited basis.

I also direct that, effective immediately, ACOs have the authority to execute class modifications, subject to receipt of necessary programmatic authorization from affected components.

The Commander, Defense Contract Management Command (DCMC) shall approve all requests for certified cost or pricing data in connection with this initiative unless such data are required by law. He will also be the focal point for implementing these efforts within DoD, and will facilitate the coordination of the change process. Tab A depicts the block change process detailing underlying assumptions, roles, and responsibilities.

The Commander, DCMC should prepare for me and for the Component Acquisition Executives a brief quarterly report that describes the progress achieved in replacing multiple government-unique management and manufacturing requirements in existing contracts with more efficient, common facility-wide practices.

*Paul B. Kaminski*  
Paul G. Kaminski

Attachment



**DEFENSE LOGISTICS AGENCY**  
HEADQUARTERS  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221



IN REPLY  
REFER TO

MMPOA

OCT 19 1995

MEMORANDUM FOR DIRECTOR, SENIOR CONTRACTING EXECUTIVE GROUP,  
DEFENSE CONSTRUCTION SUPPLY CENTER  
DEPUTY DIRECTOR, OPERATIONS DIRECTORATE, DEFENSE  
ELECTRONICS SUPPLY CENTER  
EXECUTIVE DIRECTOR PROCUREMENT, DEFENSE GENERAL  
SUPPLY CENTER  
DIRECTOR OF MATERIEL AND ACQUISITION MANAGEMENT,  
DEFENSE INDUSTRIAL SUPPLY CENTER

SUBJECT: Delegation of Authority to Modify Contracts with Texas Instruments

Texas Instruments, Defense Systems & Electronics Group (DSEG), established a Defense/Commercial Convergence business strategy in 1993 to merge the best practices from the commercial world with proven defense practices. Their strategy for continuous improvement included participation in the DLA/DCAA Reinvention Lab at the DPRO. One step they took as part of this convergence activity was to get their major facilities certified to ISO 9001, "Quality Systems - Model for QA in Design, Development, Production, Installation, and Servicing." Meanwhile, most of their current DoD contracts contain either the MIL-I-45208 or the MIL-Q-9858 requirement, causing redundancy in their quality systems. Accordingly, they have proposed an across-the-board change to ISO 9001. Rather than have modifications prepared on a contract-by-contract basis, they recommended that each of their military customers issue a directive stating that on contracts and subcontracts for that Service, wherever MIL-I-45208 or MIL-Q-9858 is called out, the contract should be interpreted as requiring ISO 9001, instead. DCMC thereupon offered to prepare block changes to DoD contracts.

The Services have all delegated to DCMC the authority to prepare these global modifications. However, there are still 114 DLA contracts with DCSC, DESC, DGSC, and DISC, worth a total of \$1.6 million, which have yet to be modified. I request that you delegate the authority to the cognizant DCMC contract administration office, absent any compelling reason not to do so, to modify your contracts with TI to provide for use of ISO 9001 in lieu of MIL-I-45208/MIL-Q-9858.

THOMAS D. RAY  
Assistant Executive Director  
(Procurement Operations & Program Management)





IN REPLY  
REFER TO

AQ

**DEFENSE LOGISTICS AGENCY**  
THE DEFENSE CONTRACT MANAGEMENT COMMAND  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221



MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS  
COMMANDER, DEFENSE CONTRACT MANAGEMENT  
COMMAND INTERNATIONAL

SUBJECT: Adoption of Common Processes at Defense Contractor Facilities

The adoption of common processes by contractors in lieu of multiple, unique DoD standards and specifications is one of the cornerstones of acquisition reform. Recently issued letters by Secretary Perry and Under Secretary Kaminski underscore the importance of accelerating this shift toward facility-wide common processes (Attachment 1). DCMC will play a pivotal role in this major initiative by both encouraging contractors to submit common process proposals and expediting their review and approval.

Common processes are intended to help reduce contractor operating costs, and contribute to cost, schedule, and performance benefits for the Government. Unlike traditional contract specific changes, process changes are intended to cross all contracts at a particular facility. For this reason, and although it is clear that both the Government and contractors can mutually benefit from the adoption of common processes, the review and approval of contractor process change proposals require special technical and cost consideration. Attachment 2 provides further guidance in each of these two areas.

Critical to the success of this effort are communication and coordination with customer buying activities and program management offices. Cost-benefit analysis must be fully explored and coordinated in order to build consensus among all parties on the concept. Each field office should establish a Management Council comprised of contractor, DCMC, DCAA, and key customer representatives in order to facilitate a timely and constructive exchange of information. The field office should work closely with the Management Council to ensure that the concept paper contains sufficient technical and cost information to permit adequate evaluation.

To help promote this initiative and also assist ACOs and other DCMC functional specialists in the review of contractor proposals, we are establishing a Block Change Management Team at HQ DCMC. A draft charter for this team is at Attachment 3. Among other tasks assigned to the team are the development of a "Road Show" package for conducting briefings across the Command, and the establishment of field level SWAT teams that will be available to assist ACOs in reviewing common process proposals.



Should there be any questions, the point of contact is Mr. Frank J. Lalumiere. He can be reached at (703) 767-2412 or DSN 427-2412.



ROBERT W. DREWES  
Major General, USAF  
Commander

Attachments



6 DEC 1995

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARY OF DEFENSE (ACQUISITION AND  
TECHNOLOGY)  
UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
ASSISTANT SECRETARY OF DEFENSE (COMMAND,  
CONTROL, COMMUNICATIONS AND INTELLIGENCE)  
GENERAL COUNSEL  
INSPECTOR GENERAL  
DIRECTOR OF OPERATIONAL TEST AND EVALUATION  
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Common Systems/ISO-9000/Expedited Block Changes

My June 29, 1994 memorandum on Specifications and Standards directed the use of performance specifications to the maximum extent practicable, and the development of a streamlined procurement process to modify existing contracts to encourage contractors to propose non-government specifications and industry-wide practices that meet the intent of military specifications and standards which impose government-unique management and manufacturing requirements. Although much progress is being made in applying these principles on new contracts, this progress has itself shown that government-unique requirements on existing contracts prevent us from realizing the full benefits of these changes by requiring, in a single facility, multiple management and manufacturing systems designed to accomplish the same purpose. Because it is generally not efficient to operate multiple, government-unique management and manufacturing systems within a given facility, there is an urgent need to shift to facility-wide common systems on existing contracts as well.

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U44045 :95

ATTACH. 1



The Under Secretary of Defense for Acquisition and Technology shall issue additional guidance necessary to facilitate the Department's streamlined review of contractor's proposals to replace government-unique management and manufacturing requirements in existing contracts with uniform requirements within the contractor's facilities.

We cannot afford to allow "business as usual" to delay this initiative. I therefore request that you and your leadership take an active role in expediting the transition of existing contracts and procurements to common systems.

*William J. Perry*



ACQUISITION AND  
TECHNOLOGY

THE UNDER SECRETARY OF DEFENSE  
3010 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-3010



DEC 08 1995

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
ASSISTANT SECRETARY OF DEFENSE (COMMAND,  
CONTROL, COMMUNICATIONS AND INTELLIGENCE)  
GENERAL COUNSEL  
INSPECTOR GENERAL  
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DIRECTORS OF DEFENSE AGENCIES

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rapid judgement by the ACO on whether proposed changes to management and manufacturing processes can be approved on a no-cost, block change basis, applying guidance in this letter.

Where such a proposal is technically acceptable and there are no significant net savings in the cost of performing existing contracts, the ACO, after appropriate consultation with program managers, shall issue class modifications to those contracts without seeking an equitable adjustment. In those cases where the contractor's proposal will result in significant decreases in the overall net cost of performance of existing contracts, the contractor should be asked to submit a formal proposal for an equitable adjustment (consideration) and to submit separate, detailed cost data in support of the proposed amount. The negotiation of equitable adjustments should not delay the modification of contracts.

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The Commander, DCMC should prepare for me and for the Component Acquisition Executives a brief quarterly report that describes the progress achieved in replacing multiple government-unique management and manufacturing requirements in existing contracts with more efficient, common facility-wide practices.

*Paul B. Kaminski*  
Paul G. Kaminski

Attachment

## BLOCK CHANGE PROCESS

The block change process depicted here designates DCMC as the lead facilitator to implement plant-wide changes. The process is built on existing structures within the components and OSD and is designed to create a sense of urgency in the approval process for streamlining of specifications, standards or other processes.

## PROPOSAL DEVELOPMENT

Industry is encouraged to prepare and submit concept papers for streamlining specifications and standards with emphasis on early customer involvement and interface. Once the cost and benefit of the change has been determined through this early involvement, industry shall submit block change proposals. As a minimum, the proposals should detail the proposed processes and associated metrics, rough order of magnitude cost benefit analysis, the consequent changes in government's involvement in the process and required regulatory/contractual changes.

## APPROVAL

Following submittal of the proposal, the Contract Administration Office (CAO) shall determine the contractual/regulatory scope of change, confirm the component customer base impacted and, if required, organize a local management council based on the nature of the proposal. The management council should be comprised of senior level representatives from the local CAO, the cognizant Defense Contract Audit Agency (DCAA) office, the contractor and subject matter experts representing the key customers within the affected components. Notionally, the key customer base shall be comprised of customers who represent 80% of the total dollar value of affected contracts.

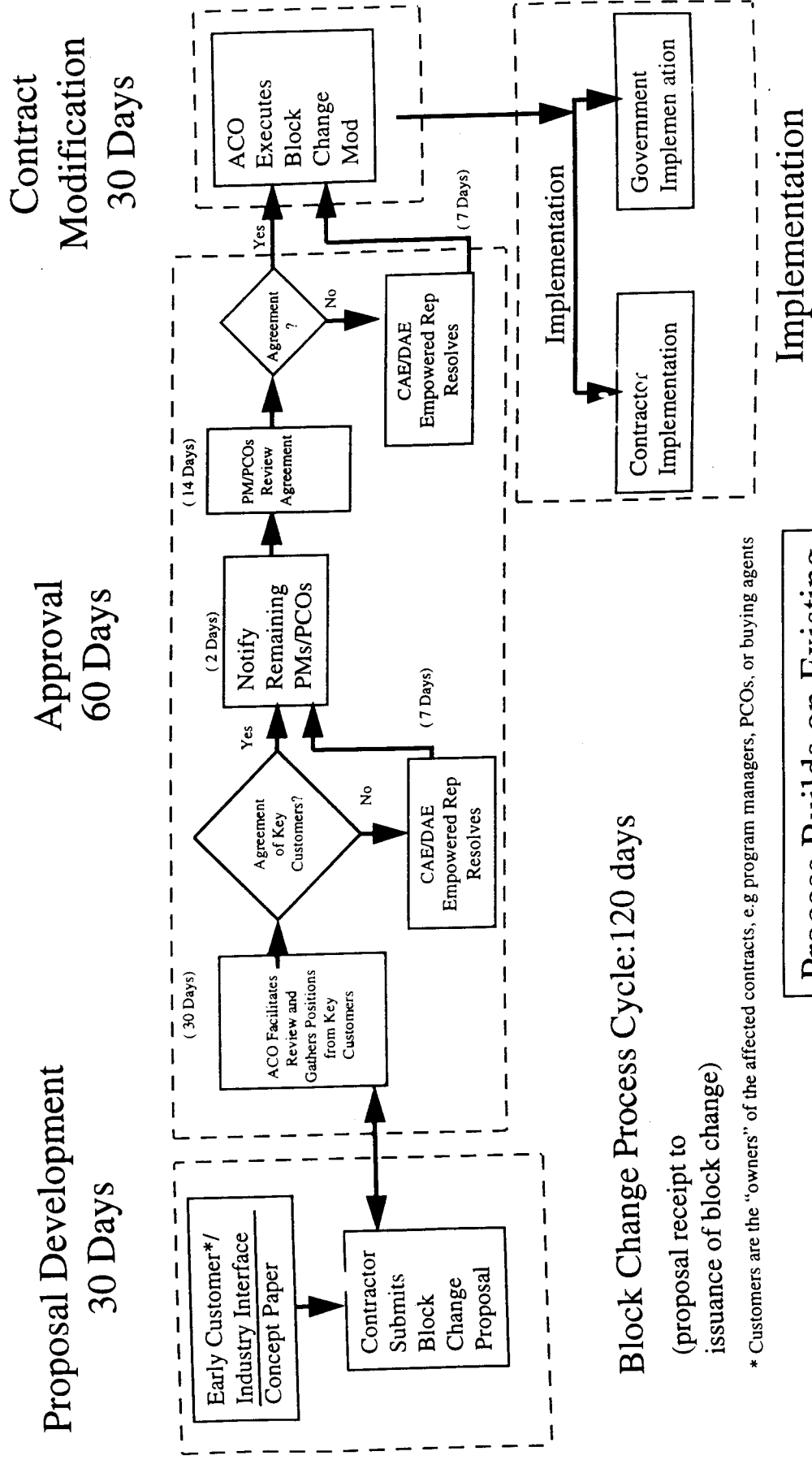
## ROLES AND RESPONSIBILITIES

The role of the management council is to analyze the merits and cost benefits of the change. Empowerment of subject matter experts from the key customer base is critical. To minimize delay, a component team leader should be designated and granted decision authority by the CAE to represent the key customer base. Component team leaders are responsible for achieving consensus with other component team leaders, the key customer PCOs and PMs, the component team members and the CAE. The CAO should be responsible for facilitating and leading the management council. The ACO will have the contractual authority to execute all block changes. The attached diagram shows the decision process along with timelines expected of this streamlined process.

## INTERNAL GOVERNMENT RESOLUTION PROCESS

The objective of this process is to resolve disagreements, facilitate consensus, elevate and resolve issues of substantial concern, and re-emphasize the overall goal and objective. If there is disagreement between PM or other customers within a component, the issue must be raised to a level within the service as designated by the CAE. If there is disagreement among the components the issue must be raised to a level within the Department as designated by the DAE. Once resolved, the ACO executes the change.

# BLOCK CHANGE PROCESS OVERVIEW



\* Customers are the "owners" of the affected contracts, e.g program managers, PCOs, or buying agents

## Common Process Block Changes

A block change is a contract modification that implements a common process across all contracts at a contractor's plant. Listed below are some key steps that should be taken to facilitate the proper review and disposition of common process proposals submitted by contractors.

1. CONTRACTOR/CUSTOMER/CAO INTERFACE: The Contract Administration Office (CAO) acts as the primary industry interface, proactively informing contractors about the common process approach, and advising contractors how to prepare and submit initial concept papers and more detailed proposals, if necessary. The concept paper should include a cost/benefit analysis by the contractor, sufficient to identify the rough order of magnitude of the cost and technical impact of the proposed common process change on government contracts. Contractors should be encouraged to consider any common process approach that realizes a cost schedule or performance benefit for both the contractor and the Government. The CAO will notify the key customers when a contractor volunteers to participate in the process. The CAO shall request from the largest component customer in accordance with the Service issued guidance that an individual be designated as the component team leader. After the program office/buying activity identifies the component team leader, the CAO will notify all Service customers who that individual is.

2. CONCEPT PAPER/PROPOSAL REVIEW & EVALUATION: The CAO must perform a review of the adequacy and reasonableness of the contractor's concept paper and supporting cost/benefit analysis. The concept paper should outline the proposed process and planned transition approach. Technical feasibility, cost effectiveness, and program risk are elements that should be fully explored with the contractor.

The CAO should work closely with customer buying activity and program management office customers and the contractor during review. The intent is to expedite a review and determination by the ACO as to whether the change can be approved on a no cost, block change basis. In those instances where it is determined that significant cost savings will result, the ACO, in coordination with the customers, must determine the format and amount of detail required to be included in a more formal contractor proposal. Business judgement should be used to ascertain the required level of supporting documentation.

The proposal should be reviewed by a local team of CAO technical and cost specialists, the cognizant DCAA auditor and the key customers. The contractor should participate in this review and provide any necessary, additional supporting data concurrent with the review process.

### 3. TECHNICAL CONSIDERATIONS:

(1) The common process should be sufficiently defined, structured, and documented to permit full evaluation. Customer buying activity programs that are affected in the various Service components or other defense/civilian agencies

must be identified.

(2) Among other questions and issues that should be addressed during review of the contractor's proposal are:

(i) Will implementation of the common process be advantageous to the government? Does the common process encourage the use of advanced practices, eliminate nonvalue added requirements, eliminate redundant audits, reduce oversight cost, etc.?

(ii) How will the contractor demonstrate acceptability and reliability of the common process?

(iii) What is the impact on the government and contractor if the common process is approved/disapproved? Has a risk analysis been performed? (The technical feasibility of the common process must be addressed in relation to the impact on such areas as quality, maintenance, and life cycle cost.)

(iv) How will the contractor implement the common process? Will the change be phased in? How does the contractor propose to maintain quality, schedule, etc. during the transition?

(3) The kind and degree of technical review will vary with the complexity of the processes involved. Some process changes may not have a significant impact on quality, maintenance, performance, or life cycle cost. Other process change proposals will present a myriad of technical issues requiring indepth review by contractor, DCMC, and buying activity personnel. Further, while some proposals may be readily adopted for all contracts on a facility-wide bases, other proposals may be suitable for the majority, but not all government contracts at a particular contractor facility.

For example, the proposed common process might involve the adoption of commercial packaging practices. Prior to approval on a facility-wide basis and modification of all government contracts, a technical review must confirm that there are no special packaging or packing requirements needed to satisfy cold weather storage, salt water exposure, or shelf-life expectancy, etc.

Other common process proposals may require an assessment by contractor, DCMC, and program office personnel of the impact on maintenance, supply availability, and associated costs to the government. Should a common process proposal, for example, introduce multiple variants of a component or system, the government would need some assurance that the contractor could produce sufficient, timely notification of correct configuration information for each variant, down to the piece part level. To the extent that a change introduces more parts, part numbers, or substitutes for original parts, an evaluation of the proposed change must consider whether there is sufficient technical documentation of the

parts to permit the government to identify the proper application, and whether the government can properly control and adequately disseminate the information to ensure supportability. Also, the evaluation of some proposals will require an assessment of the need to train government personnel on the changes, and the associated training costs. These kinds of complex, technical issues will surface with greater frequency in situations where end product performance specifications are proposed as substitutes for multiple military specifications. On occasion, however, they may arise during the review of common process proposals submitted by contractors.

#### 4. COST CONSIDERATIONS:

(1) Should the review indicate that the proposed change generates significant savings on an existing contract, consideration should be negotiated for the contract. If the resulting contract modification involves a price adjustment that exceeds the TINA threshold, certified cost and pricing data may be required per FAR 15.8. (The Commander, DCMC shall approve any ACO request for certified cost and pricing data, unless specifically required under TINA.)

(2) If the review reveals that the implementation cost is equal to the savings realized, or the savings are immaterial on existing contracts, a block modification may be used to implement the change at no cost to the Government.

Consideration should be determined based on normal business judgment which could include the absolute dollar value, as well as the dollar value of savings as measured against the overall contractor sales base. Under some circumstances, consideration flowing to the Government may be other than monetary consideration. ACOs must apply good business judgement following a full review of each concept paper or proposal and the factors involved.

(3) In order to ensure the government realizes savings on future contracts and contract modifications, contractor proposals should address forward pricing rate reductions. The ACO and auditor should review the adequacy of the proposed rate reductions for use and incorporation in forward pricing rates.

(4) The overall objective should be to reduce the administrative burden as much as possible, yet still satisfy customer requirements. Once the ACO has selected the appropriate course of action (block changes, individual modifications or a combination of the two), the proposed actions should be presented to the Management Council for concurrence.

5. MANAGEMENT COUNCIL OVERSIGHT: The Management Council structure at each CAO will help to facilitate the review and disposition of common process proposals. The Council membership should include DCMC and DCAA representatives, as well as representatives from key customer buying activities. Generally, representation on the Council should account for at least 80 percent of the customer buying activity business base impacted by the process change. Upon reaching agreement at the Management Council level, any other buying activity/program management office customers must be advised of, and concur with, the process change.



DRAFT CHARTER  
BLOCK CHANGE MANAGEMENT TEAM

RESPONSIBILITIES

1. Encourage contractors to submit block changes.

The DoD letters direct ACOs to encourage contractors to submit block changes. The team will be responsible for developing methods to facilitate early field office comprehension of the common process/block change policy and procedures because the first message needs to be consistent, consistently stated, and stated as quickly as possible. Specifics follow:

A. Develop a standard letter for ACOs to use in encouraging contractors to submit common process concept papers.

B. Develop a "road show" package for DCMC personnel (briefing charts, script, handouts, etc) that explain the DoD objective in the common/process block change policy, the purpose of block changes, the benefits to contractors, success stories from others who have already done it, the process, etc.

C. Develop mechanisms to enable ACOs to continue to spread the message and encourage submittals after the team's departure.

2. Provide assistance to ACOs in processing/negotiating block changes.

A. Stand up "SWAT teams" that are capable of assisting ACOs in processing/negotiating block changes. SWAT teams should be teams of DCMC technical and business experts who can give advice or go on-site to assist in analysis and negotiations.

B. Facilitate interactions with customers to get approval for common processes and block changes.

C. Develop networks to enable ACOs to find assistance after SWAT teams are disestablished.

3. Refine guidelines for processing/negotiating block changes.

A. Amend/expand guidelines for processing/negotiating block changes as needed to respond to experiences and lessons learned.

B. Develop one book chapter for common process/block changes.

4. Keep DCMC Commander, OSD, and the SAEs informed of progress.

A. Develop and submit required reports to OSD. The DoD letter requires quarterly reporting of progress from the DCMC Commanders. Develop report format, put in place collection procedures for the field, gather data, and submit reports.

B. Submit "weeklies" (weekly status reports) to the SAEs. Reports should concentrate on the places where SAE involvement and encouragement would be worthwhile.

5. Monitor execution in field.

A. Keep in touch with CAOs to cheerlead, remove barriers, etc., but

B. Do not burden the field with extraneous reporting requirements.

6. Go out of business within 9 to 12 months.

A. Develop plan to institutionalize processing/negotiating block changes within dcmc.

B. Get plan approved and execute it.

#### MILESTONES

Develop standard letter	NLT 5 Jan
Develop road show	NLT 15 Jan
Do road shows	15 Jan - 15 Mar
Stand up SWAT teams	NLT 31 Dec
Develop reporting requirements	NLT 15 Jan
Rest TBD by team	

#### MEMBERS

Mr. Mike Vezeau (DCMC) -- Lead	TBD (OSD)
Ms. Jane Curtis (DCMC)	TBD (Army)
Mr. Syd Pope (DCMC)	TBD (Navy)
Mr. Dave Robertson (DCMC)	TBD (Air Force)
Ms. Josephine Ross (DCMC)	TBD (DCAA)
Mr. Mike Dudley (DCMC)	TBD (DoD IG)
MAJ Jack Econom (DCMC)	TBD (DLA)
Ms. Pat Matura (DCMC)	

**DCMC team members to round up TBD members. Also to augment with DCMC field personnel if necessary.**

## PART 42

### CONTRACT ADMINISTRATION

#### SUBPART 42.2 - ASSIGNMENT OF CONTRACT ADMINISTRATION

##### **42.202 Assignment of contract administration.**

(a)(90) When a contracting activity makes an award having a dollar value of \$10,000 or more to a small disadvantaged business (SDB), whether for the first time or for an item not previously purchased from the SDB, the award will be assigned for administration to the appropriate contract administration office (CAO). (See (d)(2)(92) below.)

***(91) To implement the direction of the Secretary of Defense, December 6, 1995, and the Under Secretary of Defense (Acquisition and Technology), December 8, 1995, concerning single process/block changes, such changes to technical or management requirements in DoD contracts shall be accomplished as follows:***

***(A) When a contractor volunteers to participate in the single process initiative, the ACO shall organize a management council consisting of CAO, DCAA, key DoD customers (notionally defined as those representing 80% of the total dollar value of affected DoD contracts at the contractor's facility), and contractor personnel to perform an initial review of the adequacy and reasonableness of the contractor's single process concept with regard to that facility. Technical feasibility (including the impact on quality, maintenance, schedule, etc.), cost effectiveness, and program risk will be addressed during the council's preliminary review. A "rough order of magnitude" cost-benefit analysis will then be performed, sufficient to permit a determination whether the proposed changes can be approved, and contracts modified, on a no-cost, block change basis. The formal single process proposal shall be reviewed and approved by the management council prior to the issuance of block modifications to existing contracts by the ACO.***

***(B) When DLA has contracts at a contractor's facility where a single process proposal has been submitted by the contractor, the following procedure shall be followed:***

***(1) If an ICP has a sufficient dollar value of contracts to warrant its participation as a key customer in the management council established to review single process proposals at a contractor's facility, or if its participation in the management council is otherwise considered necessary and appropriate, the ACO shall request, and the ICP shall designate, in writing, an individual to serve***

as its representative on the management council. The representative shall be a senior member of the acquisition workforce. The ICP's management council representative shall be empowered to speak on behalf of the ICP's contracting officers having cognizance of affected contracts. He/she shall request assistance, as necessary, from technical and other subject matter experts whenever a concept paper or proposal is submitted.

(2) Each ICP shall also designate, in writing, a senior member of its acquisition workforce as its team leader for single process initiative issues ("SPI team leader"). In the absence of ICP representation on the management council, the SPI team leader shall be responsible for reviewing and making recommendations on the acceptability of concept papers or proposals referred to the ICP by the ACO. (This will typically occur when there are contracts with one or more DLA ICPs at the affected facility, but the Agency is not considered a "key customer," as defined above.) The SPI team leader shall be presumed to provide a coordinated delegation of authority for effecting block changes to the applicable DCMC component from cognizant contracting officers. Additionally, he/she may consult, as necessary, with appropriate technical and other subject matter experts prior to providing the ICP's concurrence with the proposed single process change. The SPI team leader shall be authorized to resolve disputes among that activity's contracting officers regarding concurrences/nonconcurrences with concept papers or proposals.

(3) If an ICP has the largest total dollar value of, but not the only, DLA contracts with a contractor submitting a concept paper or proposal, its management council representative (or, if the ICP has no representation on the management council, its SPI team leader) will be considered the DLA component team leader with regard to the process proposal. He/she must brief, solicit recommendations from, and achieve consensus with the other affected ICPs' SPI team leaders on the acceptability of the single process concept and proposal. This individual shall then speak on behalf of the entire Agency. When consensus cannot be reached between and among the affected ICPs, disagreements shall be elevated by the DLA component team leader, and shall be resolved by MMP.

(4) Notwithstanding that the single initiative/block change process is strongly supported at the highest levels of DoD, appointment of a DLA component team leader, ICP SPI team leader or ICP management council representative does not relieve the contracting officer of accountability for programs and contracts under his/her cognizance. Therefore, a contracting officer may appeal to MMP any single process proposal decision he/she considers antithetical to the Government's best interests, and, if necessary, may carry that appeal through MMP to the Defense Acquisition Executive or his/her designee.



DEPARTMENT OF THE ARMY  
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REPLY TO  
ATTENTION OF

29 JAN 1996

SARD-PP

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Common Process Block Changes

References:

a. Under Secretary of Defense (Acquisition and Technology) memorandum dated December 8, 1995, subject: Single Process Initiative.

b. Assistant Secretary of the Army (Research, Development and Acquisition) memorandum dated December 21, 1995, subject: Common Process Facilities Initiative.

As you are by now well aware, there are a great number of activities underway throughout the Army and the rest of the DoD regarding the common process facilities initiative, and how the transition to common processes will be accomplished using block changes.

A model of how the initiative will be implemented was included with reference a. which was sent to the Army acquisition community via reference b. along with a description of how the model would apply to Army activities. Synopses of the DoD model and the Army implementation are at enclosures one and two respectively.

Enclosure three was prepared by the Defense Contract Management Command (DCMC) and provides additional details as to the disposition of contractor concept papers by DCMC Contract Administration Offices (CAOs). Army participation in this effort will be as a member of the Management Council.

The Army fully supports and endorses the general methodology described in enclosure three. It is a



sound approach that will reduce the time and effort required to process concept papers and proposals and thus maximize the potential benefits. Some key elements in the methodology deserve emphasis:

- The CAO is the primary industry interface, and will be proactive in advising contractors of the common process approach. However, Army PEOs and buying activities will also assure that their major contractors are aware of the initiative; of the Army's keen interest in the initiative; and of our desire as major customers that our industry partners aggressively pursue this opportunity to reduce their costs. Each Army PEO has identified one or more contractors with whom they will partner in assuring a proactive implementation of the initiative.

- While the contractor will propose changes, it is up to the government Management Council to determine whether the changes are in the best interests of the government.

- The Army team leader, designated as described in enclosure two, shall coordinate proposal evaluation and acceptance efforts with all affected Army customers and this office. This includes obtaining necessary programmatic (technical) authorizations for Administrative Contracting Officers (ACOs) to execute class modifications. Ref. b. also authorizes ACOs to execute class modifications.

- Moving from government-unique management and manufacturing requirements or from multiple systems to common facility-wide systems benefits both the government and industry. Many of the contractor-proposed changes will be approved as no-cost block changes. If consideration flowing to the government for open contracts is appropriate, it may not always be monetary consideration.

- Whether consideration under open contracts is required will be determined on a case-by-case basis and after a review of the contractor's concept paper which is supposed to include a rough order of magnitude of the cost and technical impact of the proposed changes

on government contracts. A need for consideration will depend upon a number of factors, such as magnitude of net savings to the government, mix of contract type, and remaining performance period.

- Savings will quite often be effected through changes in forward pricing rate agreements.

It does not appear that information on this initiative is reaching Army acquisition personnel below the management and supervisory levels. Please ensure that your personnel do know about the initiative and of the Army's high expectation for significant cost savings.



HARRY D. GATANAS  
Colonel(P), GS  
Director for  
Contracting

Enclosures

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## BLOCK CHANGE PROCESS

The block change process depicted here designates DCMC as the lead facilitator to implement plant-wide changes. The process is built on existing structures within the components and OSD and is designed to create a sense of urgency in the approval process for streamlining of specifications, standards or other processes.

## PROPOSAL DEVELOPMENT

Industry is encouraged to prepare and submit concept papers for streamlining specifications and standards with emphasis on early customer involvement and interface. Once the cost and benefit of the change has been determined through this early involvement, industry shall submit block change proposals. As a minimum, the proposals should detail the proposed processes and associated metrics, rough order of magnitude cost benefit analysis, the consequent changes in government's involvement in the process and required regulatory/contractual changes.

## APPROVAL

Following submittal of the proposal, the Contract Administration Office (CAO) shall determine the contractual/regulatory scope of change, confirm the component customer base impacted and, if required, organize a local management council based on the nature of the proposal. The management council should be comprised of senior level representatives from the local CAO, the cognizant Defense Contract Audit Agency (DCAA) office, the contractor and subject matter experts representing the key customers within the affected components. Notionally, the key customer base shall be comprised of customers who represent 80% of the total dollar value of affected contracts.

## ROLES AND RESPONSIBILITIES

The role of the management council is to analyze the merits and cost benefits of the change. Empowerment of subject matter experts from the key customer base is critical. To minimize delay, a component team leader should be designated and granted decision authority by the CAE to represent the key customer base. Component team leaders are responsible for achieving consensus with other component team leaders, the key customer PCOs and PMs, the component team members and the CAE. The CAO should be responsible for facilitating and leading the management council. The ACO will have the contractual authority to execute all block changes. The attached diagram shows the decision process along with timelines expected of this streamlined process.

## INTERNAL GOVERNMENT RESOLUTION PROCESS

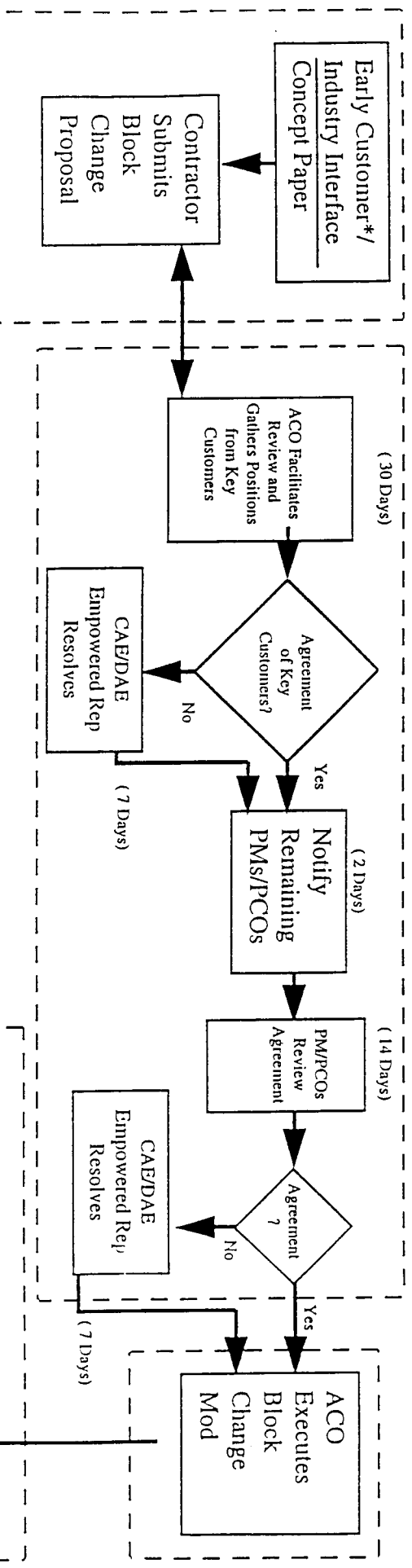
The objective of this process is to resolve disagreements, facilitate consensus, elevate and resolve issues of substantial concern, and re-emphasize the overall goal and objective. If there is disagreement between PM or other customers within a component, the issue must be raised to a level within the service as designated by the CAE. If there is disagreement among the components the issue must be raised to a level within the Department as designated by the DAE. Once resolved, the ACO executes the change.

# BLOCK CHANGE PROCESS OVERVIEW

Proposal Development  
30 Days

Approval  
60 Days

Contract  
Modification  
30 Days



Block Change Process Cycle:120 days

(proposal receipt to  
issuance of block change)

\* Customers are the "owners" of the affected contracts, e.g program managers, PCOs, or buying agents

Process Builds on Existing  
Organization Structures

Implementation

ARMY IMPLEMENTATION -- COMMON PROCESSES AND BLOCK CHANGES

Reference Under Secretary of Defense (Acquisition and Technology) memorandum, December 8, 1995, subject: Single Process Initiative.

As it applies to Army activities, the block change process established by the referenced memorandum is -

- Upon receipt of a contractor's proposal for streamlining specifications and standards and establishing common processes, the Defense Contract Management Command (DCMC) will so notify the contractor's largest Army customer.

- That Army activity, whether Program Executive Officer or buying command, will designate an Army team leader to assist the Deputy Assistant Secretary of the Army (Procurement) (DASA(P)) in representing all Army customers in the evaluation of the contractor's proposal. The designated Army team leader shall also sit, along with the DASA(P), on the management council established to evaluate the proposal.

- The DCMC will notify all Army customers of the identity of the designated Army team leader.

- The Army team leader shall notify the DASA(P) of the designation as team leader.

- The Army team leader shall coordinate proposal evaluation and acceptance efforts with all affected Army customers and the DASA(P), to include authorizing the DCMC to execute block modifications to Army contracts either with or without equitable adjustments.

- In coordination with the DASA(P) the Army team leader has the authority to resolve disagreements between various affected Army customers, and to develop the Army position on disputed issues.

ENCL 2

## Common Process Block Changes

A block change is a contract modification that implements a common process across all contracts at a contractor's plant. Listed below are some key steps that should be taken to facilitate the proper review and disposition of common process proposals submitted by contractors.

1. CONTRACTOR/CUSTOMER/CAO INTERFACE: The Contract Administration Office (CAO) acts as the primary industry interface, proactively informing contractors about the common process approach, and advising contractors how to prepare and submit initial concept papers and more detailed proposals, if necessary. The concept paper should include a cost/benefit analysis by the contractor sufficient to identify the rough order of magnitude of the cost and technical impact of the proposed common process change on government contracts. Contractors should be encouraged to consider any common process approach that realizes a cost schedule or performance benefit for both the contractor and the Government. The CAO will notify the key customers when a contractor volunteers to participate in the process. The CAO shall request from the largest component customer in accordance with the Service issued guidance that an individual be designated as the component team leader. After the program office/buying activity identifies the component team leader, the CAO will notify all Service customers who that individual is.

2. CONCEPT PAPER/PROPOSAL REVIEW & EVALUATION: The CAO must perform a review of the adequacy and reasonableness of the contractor's concept paper and supporting cost/benefit analysis. The concept paper should outline the proposed process and planned transition approach. Technical feasibility, cost effectiveness, and program risk are elements that should be fully explored with the contractor.

The CAO should work closely with customer buying activity and program management office customers and the contractor during review. The intent is to expedite a review and determination by the ACO as to whether the change can be approved on a no cost, block change basis. In those instances where it is determined that significant cost savings will result, the ACO, in coordination with the customers, must determine the format and amount of detail required to be included in a more formal contractor proposal. Business judgement should be used to ascertain the required level of supporting documentation.

The proposal should be reviewed by a local team of CAO technical and cost specialists, the cognizant DCAA auditor and the key customers. The contractor should participate in this review and provide any necessary, additional supporting data concurrent with the review process.

### 3. TECHNICAL CONSIDERATIONS:

- (1) The common process should be sufficiently defined, structured, and documented to permit full evaluation. Customer buying activity programs that are affected in the various Service components or other defense/civilian agencies

must be identified.

(2) Among other questions and issues that should be addressed during review of the contractor's proposal are:

(i) Will implementation of the common process be advantageous to the government? Does the common process encourage the use of advanced practices, eliminate nonvalue added requirements, eliminate redundant audits, reduce oversight cost, etc.?

(ii) How will the contractor demonstrate acceptability and reliability of the common process?

(iii) What is the impact on the government and contractor if the common process is approved/disapproved? Has a risk analysis been performed? (The technical feasibility of the common process must be addressed in relation to the impact on such areas as quality, maintenance, and life cycle cost.)

(iv) How will the contractor implement the common process? Will the change be phased in? How does the contractor propose to maintain quality, schedule, etc. during the transition?

(3) The kind and degree of technical review will vary with the complexity of the processes involved. Some process changes may not have a significant impact on quality, maintenance, performance, or life cycle cost. Other process change proposals will present a myriad of technical issues requiring indepth review by contractor, DCMC, and buying activity personnel. Further, while some proposals may be readily adopted for all contracts on a facility-wide bases, other proposals may be suitable for the majority, but not all government contracts at a particular contractor facility.

For example, the proposed common process might involve the adoption of commercial packaging practices. Prior to approval on a facility-wide basis and modification of all government contracts, a technical review must confirm that there are no special packaging or packing requirements needed to satisfy cold weather storage, salt water exposure, or shelf-life expectancy, etc.

Other common process proposals may require an assessment by contractor, DCMC, and program office personnel of the impact on maintenance, supply availability, and associated costs to the government. Should a common process proposal, for example, introduce multiple variants of a component or system, the government would need some assurance that the contractor could produce sufficient, timely notification of correct configuration information for each variant, down to the piece part level. To the extent that a change introduces more parts, part numbers, or substitutes for original parts, an evaluation of the proposed change must consider whether there is sufficient technical documentation of the

parts to permit the government to identify the proper application, and whether the government can properly control and adequately disseminate the information to ensure supportability. Also, the evaluation of some proposals will require an assessment of the need to train government personnel on the changes, and the associated training costs. These kinds of complex, technical issues will surface with greater frequency in situations where end product performance specifications are proposed as substitutes for multiple military specifications. On occasion, however, they may arise during the review of common process proposals submitted by contractors.

#### 4. COST CONSIDERATIONS:

- (1) Should the review indicate that the proposed change generates significant savings on an existing contract, consideration should be negotiated for the contract. If the resulting contract modification involves a price adjustment that exceeds the TINA threshold, certified cost and pricing data may be required per FAR 15.8. (The Commander, DCMC shall approve any ACO request for certified cost and pricing data, unless specifically required under TINA.)
- (2) If the review reveals that the implementation cost is equal to the savings realized, or the savings are immaterial on existing contracts, a block modification may be used to implement the change at no cost to the Government. Consideration should be determined based on normal business judgment which could include the absolute dollar value, as well as the dollar value of savings as measured against the overall contractor sales base. Under some circumstances, consideration flowing to the Government may be other than monetary consideration. ACOs must apply good business judgement following a full review of each concept paper or proposal and the factors involved.
- (3) In order to ensure the government realizes savings on future contracts and contract modifications, contractor proposals should address forward pricing rate reductions. The ACO and auditor should review the adequacy of the proposed rate reductions for use and incorporation in forward pricing rates.
- (4) The overall objective should be to reduce the administrative burden as much as possible, yet still satisfy customer requirements. Once the ACO has selected the appropriate course of action (block changes, individual modifications or a combination of the two), the proposed actions should be presented to the Management Council for concurrence.

5. MANAGEMENT COUNCIL OVERSIGHT: The Management Council structure at each CAO will help to facilitate the review and disposition of common process proposals. The Council membership should include DCMC and DCAA representatives, as well as representatives from key customer buying activities. Generally, representation on the Council should account for at least 80 percent of the customer buying activity business base impacted by the process change. Upon reaching agreement at the Management Council level, any other buying activity/program management office customers must be advised of, and concur with, the process change.



DEPARTMENT OF THE ARMY  
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103 ARMY PENTAGON  
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REPLY TO  
ATTENTION OF

21 DEC 1995

SARD-PP

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Common Process Facilities Initiative

References:

a. Secretary of Defense memorandum, December 6, 1995, subject: Common Systems/ISO-9000/Expedited Block Changes.

b. Under Secretary of Defense (Acquisition and Technology) memorandum, December 8, 1995, subject: Single Process Initiative.

The referenced memoranda (copies enclosed) move the common process facilities initiative forward another step. In addition to using common processes for all future contracts to be performed in a particular facility, Secretary Perry wants to begin incorporating such processes into current contracts.

This "block change" process is described in the attachment to reference b. As it applies to Army activities, the process is -

- Upon receipt of a contractor's proposal for streamlining specifications and standards and establishing common processes, the Defense Contract Management Command (DCMC) will so notify the contractor's largest Army customer.

- That Army activity, whether Program Executive Officer or buying command, will designate an Army team leader to assist the Deputy Assistant Secretary of the Army (Procurement) (DASA(P)) in representing all Army customers in the evaluation of the contractor's proposal. The designated Army team leader shall also



sit, along with the DASA(P), on the management council established to evaluate the proposal.

- The DCMC will notify all Army customers of the identity of the designated Army team leader.

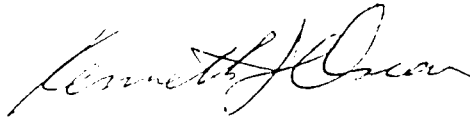
- The Army team leader shall notify the DASA(P) of the designation as team leader.

- The Army team leader shall coordinate proposal evaluation and acceptance efforts with all affected Army customers and the DASA(P), to include authorizing the DCMC to execute block modifications to Army contracts either with or without equitable adjustments.

- In coordination with the DASA(P) the Army team leader has the authority to resolve disagreements between various affected Army customers, and to develop the Army position on disputed issues.

The common process facility initiative has significant potential for future cost savings and, in many cases, for reducing the cost of current contracts as well. The Army is firmly committed to exploiting this potential for cost savings, and I expect that all Army participants in this effort will do their best to make it succeed.

If you have any questions, contact either COL Lee Thompson, DSN 761-7569 or Mr. Curtis Stevenson, DSN 227-2630.



Gilbert F. Decker  
Assistant Secretary of the Army  
(Research, Development and Acquisition)

Enclosures

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**DEPARTMENT OF THE NAVY  
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**FEB 05 1996**

**MEMORANDUM FOR DISTRIBUTION**

**Subj: DON IMPLEMENTATION OF DEPARTMENT OF DEFENSE POLICY ON  
SINGLE PROCESS INITIATIVE**

**Ref: (a) OASN (RD&A) memo on Use of Common Processes at Contractor Facilities  
dated 6 Nov 95  
(b) SecDef memo on Common Systems/ISO-9000/Expedited Block Changes  
dated 6 Dec 95  
(c) USD (A&T) memo on Single Process Initiative dated 8 Dec 95**

**Encl: (1) Department of the Navy (DoN) Single Process Initiative Roles and  
Responsibilities**

The objectives of the Department of Defense in acquisition reform will be greatly enhanced by the contractor's use of single manufacturing and management processes at their facilities. Reference (a) provided initial policy to System Commanders, Program Executive Officers, and Program Managers to facilitate the implementation of single processes at contractors' facilities. The purpose of this memorandum is to provide amplifying guidance for the immediate implementation of the Secretary of Defense policy promulgated by references (b) and (c) regarding the single process initiative affecting all DoN programs.

The roles and responsibilities for implementing the single process initiative on DoN programs are outlined in enclosure (1), and are effective immediately. The Acquisition Reform Executive, Mr. Daniel Porter, will serve as the central point within DoN to direct and coordinate this policy. This policy guidance will remain in effect until such guidance is amended or incorporated in updates to the Secretary of the Navy Instruction 5000.2A.



**John W. Douglass**

**Subj: DON IMPLEMENTATION OF DEPARTMENT OF DEFENSE POLICY ON  
SINGLE PROCESS INITIATIVE**

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## **DoN SINGLE PROCESS INITIATIVE ROLES AND RESPONSIBILITIES**

### **1. Administrative Contracting Officers (ACO) in DoN Supervised Contract Administration Offices(CAO)**

a. The Administrative Contracting Officer shall act as the primary government administrative coordinator and interface with industry informing and advising contractors on how to prepare and submit initial concepts and more detailed proposals (if required) for the single process initiative. The ACO shall encourage contractors to prepare initial concepts specifying those processes that are candidates for facility-wide application, describing the impact on the present system (contracts, program offices, and/or buying offices affected), and providing a cost-benefit analysis adequate to determine the rough order of magnitude of the costs and benefits from the proposed system changes. The ACO shall initially notify the key DoN customers when a contractor volunteers to participate in the process. Key customers are notionally defined as those who represent 80% of the total dollar value of affected contracts at the contractor's facility. The Naval Nuclear Propulsion Program is hereby designated a key customer for any concept papers or proposals affecting contracts for components and systems used in Naval nuclear propulsion plants. The ACO shall obtain Naval Nuclear Propulsion Program concurrence for any proposed actions in those cases.

b. When a contractor volunteers to participate in the single process initiative, the ACO shall organize a management council and request from the DoN Program Office having the largest contract dollar value at the contractor's facility that an individual be designated as the DoN team leader. The DoN team leader will be appointed in writing by the Acquisition Reform Executive and shall be identified to all DoN customers by the ACO. The management council shall be chaired by the ACO with participation requested from senior level representatives from the local CAO, the cognizant Defense Contract Audit Agency (DCAA), the contractor, and the DoN and other component team leaders. The contractor shall be a non-voting member of the management council. The management council shall perform an initial review of the adequacy and reasonableness of the contractor's single process concept for a specific facility. Technical feasibility, cost effectiveness, program risk, and risk mitigation are elements that should be initially addressed by the contractor.

c. The concept cost-benefit analysis shall be performed without requesting certified cost or pricing data. The detail included in the concept and cost analysis shall be sufficient to allow an informed, rapid judgement by the management council on whether proposed changes to the contractors' management and manufacturing processes can be approved on a block change basis. In those cases where the contractor's proposal will result in significant decreases in the overall net cost of performance of existing contracts, the contractor may be asked to submit a proposal for an equitable

Encl (1)

adjustment and to submit separate, detailed cost data in support of the proposed amount. ACOs are authorized to proceed with modifications resulting in significant cost decreases without delaying to complete negotiation of equitable adjustments.

d. The ACO shall work with the component team leaders and the contractor to achieve preliminary consensus on the concept. The management council shall determine the amount of detail required to be included in the contractor's single process proposal (if required) including impact, risks, and benefits both to the government and the contractor. The single process proposal shall be reviewed and approved by the management council prior to the issuance of block modifications to existing contracts by the ACO.

e. In those cases where non-DoD departments or agencies have contracts administered by a CAO, ACOs are not required to include non-DoD agency contracts in the single process initiative agreement. The CAO shall bring to the attention of the non-DoD departments and agencies that single process initiative concepts or proposals have been submitted by the contractor for DoD contracts and should encourage the cooperation and participation of the non-DoD agency.

## **2. System Commanders, Program Executive Officers, Direct Reporting Program Managers**

a. The Program Office having the largest contract dollar value shall nominate a senior member of the acquisition workforce as the DoN team leader representing the DoN customers on single process initiative issues at a specific contractor's facility. The Program Office shall obtain concurrence with the nomination of the DoN team leader from the applicable System Commander, Program Executive Officer, or Direct Reporting Program Manager, and shall coordinate with other key DoN customers. The DoN team leader nomination shall be submitted to the Acquisition Reform Executive for appointment in writing. Any non-concurrence with the nomination shall also be submitted to the Acquisition Reform Executive, with appropriate justification and recommendations for an alternative DoN team leader.

b. System Commanders, Program Executive Officers, or Direct Reporting Program Managers are responsible provide the subject matter experts or expert team members to review and make recommendations on the acceptability of the contractor's single process proposal.

c. Notwithstanding any responsibilities assigned as described in this memo, appointment of a DoN team leader does not relieve Program Managers from accountability for ensuring single process initiatives do not adversely impact programs under their cognizance. System Commanders, Program Executive Officers, or Program Managers can appeal any single process proposal decision being considered

by the DoN team leader to the Service Acquisition Executive via the Acquisition Reform Executive.

### **3. DoN Team Leader**

a. The DoN team leader shall represent the DoN customers and have the authority to make decisions on all issues related to the review and approval of single process concepts and proposals submitted by a contractor for a specific facility. For any contractor concepts or proposals affecting components or systems used in Naval nuclear propulsion plants, Naval Nuclear Propulsion Program concurrence shall be obtained prior to approval of the concepts or proposals.

b. Designating DoN leadership for the single process initiative is meant to streamline the review, data gathering, and negotiation process. The 120 day process cycle identified in reference (c) is intended as a goal for the issuance of a block change modification from the time of receipt of a contractor's proposal for a single process change. The 120 day schedule is only achievable if the proposal submitted is of sufficient detail to expedite discussions and resolution. Incremental implementation of single or multiple process changes involving a multitude of complex issues may be appropriate. It may be advisable to defer the approval of block change items requiring additional research or resolution if the effort required for any individual change delays implementation of most of the changes. Timely use of sound technical, business, and programmatic judgement must prevail in the implementation of the single process initiative.

c. The DoN team leader shall request assistance, as necessary, from subject matter experts or expert team members from the Systems Commands, Program Executive Offices, or Program Offices. These subject matter experts or expert team members shall review and provide comments and recommendations on the acceptability of the single process concept and proposal.

d. The DoN team leader shall brief, solicit recommendations from, and achieve consensus with the other affected DoN Program Managers and buying activities on the acceptability of the single process concept and proposal. The DoN team leader shall provide sufficient details of the concept and proposal to the affected DoN Program Managers and buying activities to allow an assessment of the impact on their programs and deliverables. The DoN team leader is also responsible for facilitating consensus with the other component team leaders.

e. When consensus cannot be reached on the acceptability of the contractor's single process proposal within the DoN Program Offices and buying activities, the DoN team leader shall present the disputed aspects of the proposal to the Acquisition Reform Executive who shall facilitate a review and decision by the Service Acquisition Executive.

f. When consensus cannot be reached on the acceptability of the contractor's single process proposal with the other component team leaders, the DoN team leader shall present the proposal to the Acquisition Reform Executive who shall facilitate a review and decision by the Service Acquisition Executive. The Service Acquisition Executive decision shall be the DoN position when the proposal is presented for review and decision by the Defense Acquisition Executive designee.

#### **4. Acquisition Reform Executive (ARE)**

a. The ARE shall appoint the DoN team leader in writing. Appointments shall designate the DoN team leader as the authority responsible for concurrence for DoN programs of single process block modification changes at a specific contractor facility.

b. When the nomination of the DoN team leader is appealed by System Commanders, Program Executive Officers, or Direct Reporting Program Managers, the ARE may consider the appointment of alternative DoN team leaders, or even co-leaders in exceptional cases.

c. The ARE shall directly participate in the review and provide a recommendation for approval of single process proposals to the Service Acquisition Executive in the following cases:

- (1) When consensus cannot be reached at the Department of the Navy level on the acceptability of the proposal.
- (2) When consensus cannot be reached at the Department of Defense level on the acceptability of the proposal.

#### **5. Service Acquisition Executive (SAE)**

a. The SAE shall directly participate in the review and approval of single process proposals in the following cases:

- (1) When consensus cannot be reached at the Department of the Navy level on the acceptability of the proposal.
- (2) When consensus cannot be reached at the Department of Defense level on the acceptability of the proposal.





DEPARTMENT OF THE AIR FORCE  
WASHINGTON DC



OFFICE OF THE ASSISTANT SECRETARY

03 JAN 1996

MEMORANDUM FOR DISTRIBUTION

FROM: SAF/AQ  
1060 Air Force Pentagon  
Washington, DC, 20330-1060

SUBJECT: Common Systems/ISO9000/Expedited Block Changes

The Secretary's memo, Common Systems/ ISO 9000 Expedited Block Changes accelerates the transition to common, facility-wide processes on existing contracts (Atch. 1). It offers significant potential for cost avoidance to the Air Force on future contracts.

The USD(A&T) memo, Single Process Initiative, authorizes Administrative Contracting Officers (ACOs) to negotiate class contract modifications for contractor single process proposals (Atch 2). Each component affected by a contractor single process proposal will appoint component lead to establish whether a contractor's proposal for using a single process is technically acceptable. For the Air Force, the Single Manager with the majority of contract value affected by the proposal is the Air Force component team leader. The component team leader responsible for working with the contractor, ACO, and all affected Air Force program offices/buying activities to facilitate and coordinate technical acceptability per Tab A in the USD(A&T) memo. The DCMC/CC memo, Adoption of Common Processes at Defense Contractor Facilities, provides implementation guidance to DCMC activities (Atch 3).

I fully endorse this initiative. It targets the improvement of both technical and management processes at our contractor facilities. There is significant long term mutual benefit in the transition to single, facility-wide processes at contractor facilities. Air Force program offices/buying activities must work with their ACO, contractors, and component lead to ensure a smooth transition to single processes that meet user requirements. SAF/AQ point of contact is Col Terry Talbot (DSN 227-1417 or (703) 697-1417) or Mr. Ryan Bradley (DSN 225-4980 or (703) 695-4980) in SAF/AQXM.

Attachments:

1. SECDEF Memo, Dec. 6, 1995
2. US(A&T) Memo, Dec. 8, 1995
3. DCMC/CC Memo, 11 Dec, 1995

DARLEEN A. DRUYUN  
Acting Assistant Secretary  
of the Air Force (Acquisition)



MAY 17 1996

**TO:** Officials-in-Charge of Headquarters **Offices**  
**Directors, NASA Field Installations**  
**Director, Jet Propulsion Laboratory**

**FROM:** A/Administrator

**SUBJECT:** Acquisition **Reform: Single Process/Block** Changes

New cost-savings opportunities are emerging in acquisition reform by partnering with the Department of Defense (**DoD**). The Single Process/Block Change initiative **was** conceived by the Government Industry **Quality Liaison Panel**, cochaired by the NASA Office of Safety and Mission **Assurance**, and was endorsed by the Secretary of **Defense**. The thrust of the initiative is to enable contractors to propose single processes that would meet the needs of **multiple** Government **customers**. **This** would eliminate duplicative contractor systems and processes imposed by each customer's **requirements**. This initiative is expected to reduce contractor **costs**, improve process **efficiencies**, reduce product **costs**, and improve product **quality**. It is a win-win proposition for the Government and **contractors**. It could yield high dividends for both NASA and **DoD**.

The Defense Contract Management Command (**DCMC**) is facilitating this initiative at each contractor facility by working with contractor **and** Government representatives in **identifying** potential single **processes**. NASA will cooperate with **DCMC** for the development and acceptance of single processes wherever **possible**. Once the principals agree to the single **processes**, **DCMC** is authorized to issue a contract modification implementing the block change to **all** affected **contracts**. This concept has proven to be very effective at several **DoD reinvention** laboratory **sites**. Significant **operational** improvements and cost reductions can be achieved by this **initiative**, including savings to the Government on current **contracts**.

To facilitate the partnership with **DoD**, I am designating the **Office** of the Chief Engineer as the Agency lead for **this initiative**. Enclosed are Implementation Guidelines to be used during the implementation **process**. I strongly encourage you to share my enthusiastic support of this **initiative**. If you have any contracts **questions**, call Kenneth A. Sateriale at 202-358-0491. Quality-systems-related questions should be addressed to Carl Schneider at 202-358-0913.

A handwritten signature in black ink, reading "Daniel S. Goldin".

Daniel S. Goldin

Enclosure

Officials in Charge of Headquarters Offices:

AI/Gen. Dailey  
AT/Mr. Mott  
AE/Dr. Mulville  
AO/Mr. West  
AS/Dr. Cordova  
B/Mr. Holz  
C/Mr. Christensen  
E/Mr. Reese (Acting)  
F/Gen. Armstrong  
G/Mr. Frankle  
H/Ms. Lee  
I/Mr. Schumacher  
J/Ms. Cooper  
K/Mr. Thomas  
L/Mr. Lawrence  
M/Mr. Trafton  
O/Dr. Lundy (Acting)  
P/Ms. Boeder  
Q/Mr. Gregory  
R/Dr. Whitehead  
S/Dr. Huntress  
U/Dr. Nicogossian (Acting)  
W/Ms. Gross  
X/Dr. Mansfield  
Y/Dr. Kernel  
Z/Mr. Ladwig

Directors, NASA Field Installations:

ARC/Dr. McDonald  
DFRC/Mr. Szalai  
GSFC/Mr. Rothenberg  
JSC/Mr. Abbey  
KSC/Mr. Honeycutt  
LaRC/Mr. Holloway  
LeRC/Mr. Campbell  
MSFC/Dr. Littles  
SSC/Mr. Estess

Director, Jet Propulsion Laboratory:

Dr. Stone



May 17, 1996

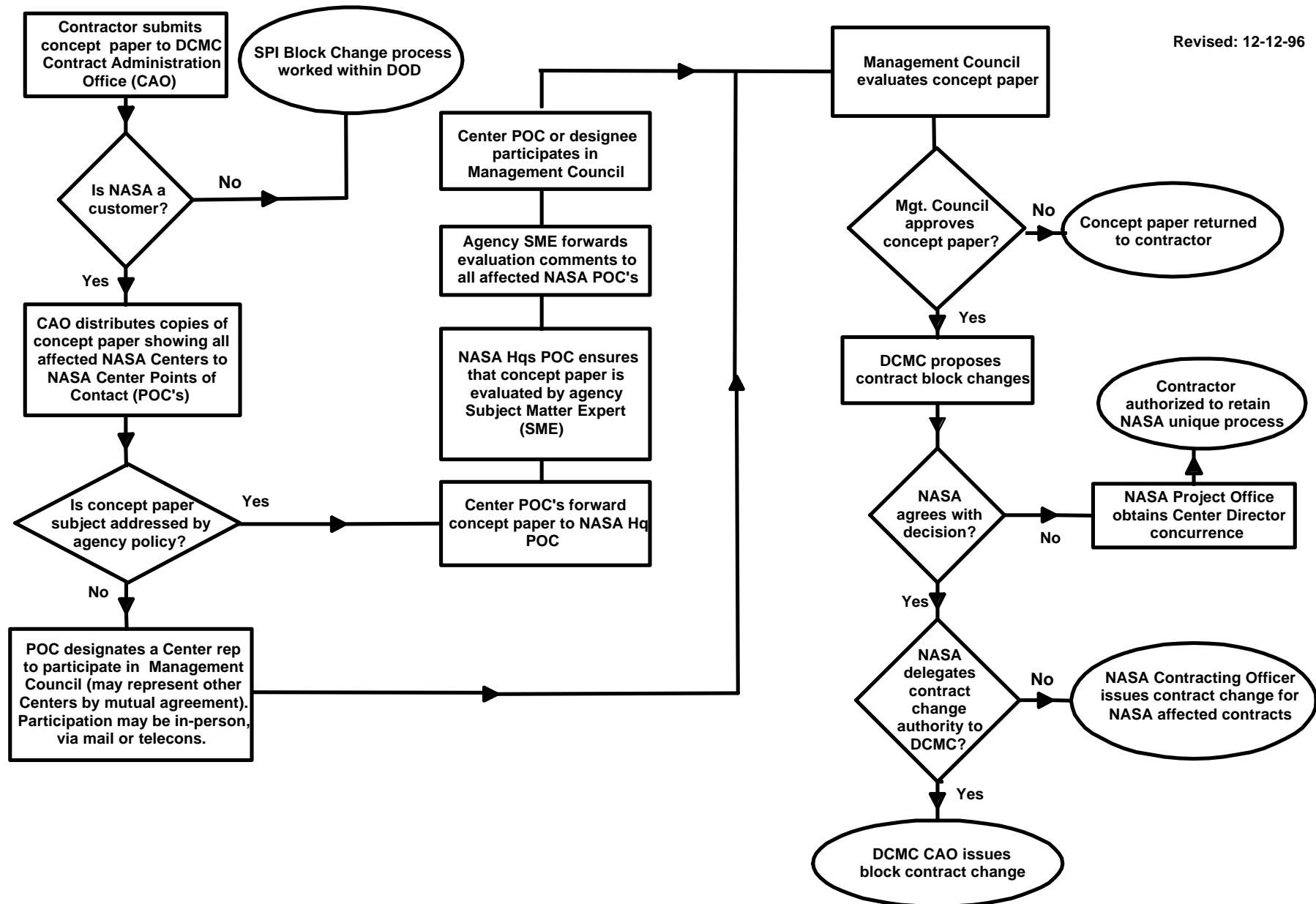
## **SINGLE PROCESS/BLOCK CHANGE IMPLEMENTATION GUIDELINES**

1. NASA's goal will be the elimination of unique processes/systems that are imposed on contractors shared with DoD or other Federal **agencies**, unless they are essential to ensure mission safety and **reliability**.
2. Each NASA Center Director will designate a focal point for implementing this **initiative**. The focal point is responsible for ensuring that all proposed block changes to Center acquisitions are considered and evaluated **consistently**. All contractor systems and processes are candidates for this initiative if efficiencies can be **gained**.
3. For each **project/program**, the cognizant NASA Contracting Officer (CO), with the Program **Manager**, will review each proposed block change for **approval**. No higher level of approval is necessary, unless the affected process is required by a NASA Management Instruction or the NASA FAR Supplement. CO **approval**, and any delegations deemed **necessary**, will be conveyed to the DCMC for their implementation within a contract block **change**. Any **nonapproval** must be reviewed by the Center **Director**.
4. Process improvements and **resulting** cost savings will be defined and **quantified**. NASA will receive consideration or share savings where savings are significant on NASA **contracts**.
5. Where numerous contract changes result from this **initiative**, they will be negotiated in a **block change format**.
6. Status reports **will** be provided by the Centers to the Office of **Procurement**, Analysis **Division**, on a quarterly **basis**. The report will describe the processes/systems changes made and cost savings **anticipated**.

# NASA SPI Process Flow



Revised: 12-12-96





Revised: 12-9-96 (R)

NASA Points of Contact for  
Single Process/Block Change Initiative

<u>CENTER</u>	<u>NAME</u>	<u>PHONE #</u>	<u>FAX #</u>	<u>E-MAIL</u>
ARC	CONNIE CUNNINGHAM	415-604-5821	415-604-4646	Connie_Cunningham@qmgate.arc.nasa.gov
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	RUSSEL DAVIS (ALT)	805-258-3326	805-258-2904	russ_davis@qmgate.dfrc.nasa.gov
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	SHERRY POLLOCK (ALT)	301-286-9511	301-286-1706	spollock@pop200.gsfc.nasa.gov
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	THOMAS SAURET (NASA)	818-354-5359	818-393-2607	Thomas.E.Sauret@jpl.nasa.gov
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	REGINALD WALKER	202-358-0443	202-358-3220	reginad.walker@hq.nasa.gov

## WHAT IS THE SINGLE PROCESS INITIATIVE?

On December 8, 1995, Secretary of Defense William Perry and Under Secretary of Defense for Acquisition and Technology Paul Kaminski announced implementation of the Single Process Initiative (SPI). **SPI transitions contractor facilities from multiple government-unique management and manufacturing systems to the use of common, facility-wide processes.** Using a "block change" modification approach, SPI unifies requirements in existing contracts on a facility-wide basis, rather than on a contract-by-contract basis.

**The role of DCMC and its Administrative Contracting Officers (ACOs) is crucial to the success of SPI.** Secretary of Defense Perry directed that the ACO assigned to a facility be the single point of contact for this effort. ACOs will lead the coordination and negotiation of contract modifications (block changes) to existing contracts for contractor concept papers/proposals. The contractor must propose and substantiate SPI common processes. However, industry, the military services, the Defense Contract Audit Agency (DCAA), and DCMC must work together and work quickly to take advantage of this initiative.

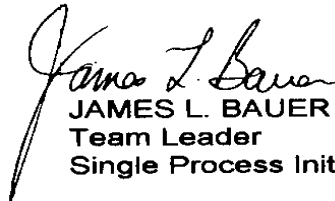
**SPI is the key to DoD Acquisition Reform efforts;** it provides a method to implement acquisition reform goals in contracts today. It is intended to reduce contractor operating costs and achieve cost, schedule, and performance benefits for the government. The benefits of SPI are more efficient, consistent, stable processes with greater ease of contract administration for both contractor and government and savings for the taxpayer.

**A Block Change Management Team has been established at DCMC Headquarters** in Fort Belvoir, Virginia, to assist ACOs and other functional specialists in the implementation of SPI. The team includes representatives from the Office of the Secretary of Defense, Military Departments, Defense Logistics Agency, Defense Contract Audit Agency, NASA, Federal Aviation Administration, and Office of the DoD Inspector General.

Authority and implementation direction for this initiative is provided in: SECDEF memo, Common Systems/ISO-9000/Expedited Block Changes, December 6, 1995; USD(A&T) memo, Single Process Initiative, December 8, 1995; DCMC memo, Adoption of Common Processes at Defense Contractor

Facilities, December 11, 1995; ASA(RD&A) [Army] memo, Common Process Facilities Initiative, December 21, 1995; DCMC memo, Single Process Initiative, Statutory Changes or Regulatory Deviations, April 19, 1996; DCMC memo, Reinvention Laboratory for Reducing Oversight Costs, April 25, 1996.

This is the first in a series of SPI information sheets. Please contact the Single Process Initiative Team at DCMC Headquarters at (703) 767-2471 if you have any questions concerning the Single Process Initiative.



**JAMES L. BAUER**  
**Team Leader**  
**Single Process Initiative Team**

(For Information Only - Not Official Policy) This is the first in a series of Single Process Initiative (SPI) information sheets. These information sheets are intended to facilitate implementation of SPI and are for internal use by Defense Contract Management Command (DCMC) personnel.



# GUIDELINES FOR PREPARING A CONCEPT PAPER

**Open communication is the key** to preparing a successful concept paper. Before pen is put to paper, there should be open discussion between the contractor, the customer, Defense Contract Audit Agency (DCAA), and the DCMC Contract Administration Office (CAO) to explore the viability of the proposed change.

It's important to note up front that Government representatives should encourage and help the contractor with development of the concept paper. However, **it is up to the contractor to prepare and submit concept papers.**

**Concept Papers should be brief, yet definitive.** There is no specified page count, generally they have run four to five pages in length. Concept papers should specifically identify the existing contractual requirement that is to be replaced or modified. Papers should also identify contracts and customers impacted if the paper is approved. When the contractor submits the concept paper to the CAO, each respective customer Program Executive Officer or Program Manager (or designated representative) and the Block Change Team must be notified of the submission and subsequent status.

The success of the Single Process Initiative depends greatly upon the speed with which the block change is implemented. Therefore, the 120-day period specified in Under Secretary of Defense (Acquisition and Technology) Dr. Kaminski's December 8, 1995, SPI memo is a goal that must be respected. **There should be early interface between industry and the Government before a concept paper is submitted.** However, once the CAO receives a concept paper, regardless of whether the paper is acceptable or definitive, the "clock" begins to tick. The clock cannot stop nor restart while waiting for an acceptable or definitive paper. CAOs should report receipt of the concept paper as soon as it is received and use the remainder of the initial 30-day period to obtain additional data as needed. Disagreements should be escalated up the chain of command.

A "definitive" concept paper includes the elements needed to effectively evaluate a proposed change and **allow rapid judgment by the Administrative Contracting Officer (ACO).**

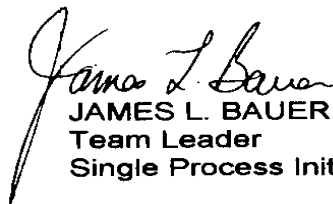
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These elements include

- a description and short summary of the process to be considered;
- methodology to move to the proposed common process and a schedule for transition;
- an explanation of how the contractor will implement the process. How does the contractor propose to maintain quality and schedule during the transition?
- a summary of the proposed metrics that will be used to measure effectiveness and compliance. How will the contractor demonstrate acceptability and reliability (technical feasibility) of the process?
- a rough order of magnitude cost benefit analysis (to include current and future costs and savings). Will implementation be advantageous (cost effective) to the Government ?
- an explanation of the impact on existing contracts and an assessment of future impacts. What is the impact (program risk) to the Government and the contractor if the proposal is approved/disapproved ?
- an assessment of changes required in the Government's involvement in the process; and
- an explanation of the required regulatory/contractual changes.

The description should be in sufficient detail to enable the Government to determine if a more detailed cost impact proposal for current contracts will be required. If the contractor provides a "definitive" concept paper, a formal proposal is not needed and it is possible to move directly from the proposal development phase to the first step in the approval phase.

It's important to remember that a concept paper can come in many different formats and styles because it needs to be tailored to the specific process and situation prevailing at that location. The elements listed above are to be used only as a guideline. The fact that some elements listed above may not be included in a particular concept paper does not make the paper inadequate. It is expected that additional information can be supplied during the review process. The bottom line is: time is money. Do not let preconceived ideas or checklists *block* the Block Change process. Questions concerning the Single Process Initiative may be addressed to the Single Process Initiative Team at DCMC Headquarters at (703) 767-2471 or DSN 427-2471.

  
**JAMES L. BAUER**  
Team Leader  
Single Process Initiative Team

## CONSIDERATION: APPLYING IT TO THE SINGLE PROCESS INITIATIVE

Regarding the Single Process Initiative, Under Secretary of Defense for Acquisition and Technology Dr. Paul Kaminski has reiterated (January 18, 1996 conference) that **the Government is entitled to consideration when there are one-sided savings** in the process:

“For most contracts that we have in place, there will be bilateral cost avoidance -- that is, the savings will be passed directly to the government and, in the end, to the taxpayer. This occurs on cost-reimbursable contracts and cases where we have priced options that can be re-negotiated. In the case of longer term fixed-price contracts, there is a possibility of what I would describe as unilateral cost avoidance: savings would be realized by the contractor but the contract's fixed-price structure has no mechanism to automatically pass along these savings to the government. In these unilateral cases, we would seek consideration either non-monetarily or as adjustments to the contract prices.”

For DCMC's purposes, acceptable forms of consideration have not changed as a result of SPI policy. DCMC Administrative Contracting Officers (ACOs) deal with contractual issues and situations involving consideration on a daily basis. ACOs will continue to follow the applicable laws, regulations, and policies they have always adhered to. **ACOs should continue to seek consideration, when appropriate, in the prescribed manner they have used in the past.**

For informational purposes, general principles are reiterated as they apply to consideration:

■ As a general statement, courts, boards, and the GAO have held that the government may not give up something it has bargained for without receiving consideration. **The adequacy of consideration is generally left to the discretion of the Contracting Officer**, although internal oversight organizations have reviewed, and occasionally criticized, Contracting Officers over the exercise of this discretion.

■ **Consideration may take several forms.** For example, consideration may be taken as reduced prices on current contracts, it may be taken as a cash refund to the government, it may be taken as a credit against existing claims, or it may be taken as a credit against contingent liabilities, etc.

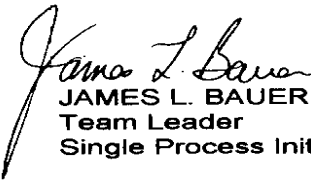
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Some of the consideration coming from a modification that moves a single process into a facility may be in the form of intangible benefits such as improved efficiency translating into lower operating costs and cost savings for both the contractor and the Government. These benefits, while difficult to quantify on a contract-by-contract basis, could form part of the consideration for block change modifications.

How consideration is taken is a matter left to the sole discretion of the Contracting Officer. The Contracting Officer is limited in fashioning a solution to the issue of consideration to what is in the best interests of the Government, his/her creativity, and the willingness of the contractor to negotiate the issue.

\*Please note: Contractors may offer consideration in the form of goods or services. Done properly, this can be an effective and appropriate method of obtaining consideration. In fact, this method is not new or different from what has been used in the recent past. However, care must be taken to avoid augmentation of appropriations. It is recommended that consideration of this sort be closely coordinated with customers (PCOs) and District SPI Points of Contact or SWAT Team members (Legal, ACOs, Cost and Price Analysts, etc).

■ Consideration is normally recited in contracts and modifications to contracts. The parties should spell out in all block change modifications the consideration they have agreed to, which includes the tangible and intangible benefits the parties expect to receive by moving to the common process. For example, the modification could detail the mutually-agreed-to level of performance commensurate with the replaced milspec or standard. Any contractor monitoring data accumulation, reporting or start up/transition efforts could also be described. Contracting Officers should use good judgment and sound discretion in determining the adequacy of consideration (benefit) and how best to describe it in the modification. Questions concerning the Single Process Initiative can be addressed to the Single Process Initiative Team at (703) 767-2471 or DSN 427-2471.



**JAMES L. BAUER**  
Team Leader  
Single Process Initiative Team

## **SPI + JOINT LOGISTICS COMMANDERS' ACQUISITION POLLUTION PREVENTION INITIATIVE = SAVINGS\$**

The Joint Logistics Commanders' Joint Group on Acquisition Pollution Prevention (JG-APP) has many objectives that complement the Single Process Initiative (SPI). The JG-APP focuses on identifying common manufacturing processes across multiple component contracts that reduce and/or eliminate hazardous materials from major weapon systems. The JG-APP's goal is to reduce duplicative efforts and costs from multiple, uncoordinated pollution prevention projects within individual components and the private sector. The JG-APP has worked to develop common priorities and goals throughout DoD and to develop a contract change process to provide cost efficient and timely adoption of commercially available alternatives.

The JG-APP focused its efforts on current contractor design and manufacturing operations and linkages with system users and maintainers. Seven pilot programs were initiated at contractor sites involving multiple component systems and multiple products. Current pilot sites include McDonnell Douglas, St. Louis, MO; Texas Instruments, Dallas, TX; Pratt & Whitney, West Palm Beach, FL; Hughes, Tucson, AZ; General Electric, Evandale, IN; and Boeing, Seattle, WA.

The JG-APP methodology begins with voluntary participation by a major weapons system contractor and the joint contractor/Contract Administration Office (CAO) identification of opportunities for potential benefits. Program Managers (PMs) are then brought in with the contractor and the CAO to determine those identified opportunities best meeting their needs and providing the highest likelihood of success.

Once everyone is on board, technical representatives (both government and contractor) meet to further focus on what criteria a substitute material or process must pass to meet system performance standards. A Joint Test Protocol is developed describing the laboratory and field testing requirements a qualified substitute must pass independent of existing standards and specifications; an agreement is signed by the PMs and contractors involved to accept these test results.

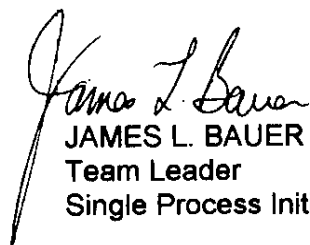
The PM and contractor business representatives are then brought together to review each process improvement opportunity, its environmental and cost benefits, testing costs, and available funding scenarios determining who will bear what costs and what contract vehicle will be used. Products include a statement of tasks and a signed funding agreement.

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After performance of tests and selection of an alternative material/process, an implementation plan is developed for both contractor and users/depots. Necessary contract modifications are handled as block changes. This entire process may take from a few months to two years dependent upon the time necessary for testing. Both system user and depot communities are kept informed throughout the process to reduce duplication of existing efforts and properly gauge potential cost savings/avoidances. Also the results of the testing are shared with all potential government and commercial beneficiaries and various industry associations through publication of a Joint Test Report on the World Wide Web.

The similarities between the JG-APP process and SPI are many; the JG-APP and CAOs must be alert to where the initiatives intersect. At times, pollution prevention opportunities will be identified that do not require extensive testing. In these cases, direct transfer to SPI procedures may be the best route. Also, once successful pollution prevention process improvement opportunities have passed all tests, they can then be transferred to SPI procedures for rapid block change.

The success of the pollution prevention initiative is heavily dependent upon the partnering relationships established between components, contractors, DCAA, and DCMC contracting and technical personnel. Because of this relationship, the Pollution Prevention and SPI processes can be interwoven, and duplication of effort can be eliminated. CAO Management Councils should become knowledgeable of acquisition pollution prevention initiatives at their sites. As the pollution prevention initiative progresses from a few pilot sites to full implementation (DCMC-wide plans to expand from the current seven pilot sites have not been finalized at this time), CAO Management Councils should be used wherever possible to effect coordinated action among the components, contractors, DCAA, and DCMC. The benefits of effectively linking the Single Process and Acquisition Pollution Prevention initiatives are more efficient, consistent, environmentally benign, stable processes with greater ease of contract administration for both contractor and government, and savings for the taxpayer. Questions concerning the Single Process Initiative may be addressed to the Single Process Initiative Team at (703) 767-2471 or DSN 427-2471.



**JAMES L. BAUER**  
**Team Leader**  
**Single Process Initiative Team**

## **THE ROLE OF THE MANAGEMENT COUNCIL IN THE SINGLE PROCESS INITIATIVE**

The role of the DCMC Contract Administration Office (CAO) Management Council is crucial to the overall success of the block change process. The Management Council (1) facilitates constructive discussion regarding the general acceptability of the contractor's concept paper as a working document; (2) assures that the interests of the contractor's entire government customer base are considered; (3) analyzes the merits and cost benefits of the proposed process change; and (4) advises the Administrative Contracting Officer (ACO) regarding the appropriateness of entering into a Memorandum of Agreement (MOA) with the contractor when the proposed process change does not require a contract modification. Each Management Council is composed of senior level representatives from the CAO, the cognizant Defense Contract Audit Agency (DCAA) office, the contractor, and subject matter experts from affected key customers. Key customers notionally represent 80 percent of the total unliquidated obligation dollar value of contracts.

The CAO should use the Integrated Product Team (IPT) concept in establishing and operating the Management Council. A CAO with responsibility for many contractors should structure the Management Council to meet the needs of key contractors and customers based on the nature of the concept papers received. The Management Council may be restructured to meet the needs of other customers and contractors as they submit concept papers. The CAO should not attempt to pre-screen the contractor base for SPI-related activities or communications. A "standard letter" for ACOs to send to contractors has been forwarded to each CAO and should be sent to all contractors. The goal is to maximize SPI participation. After the ACO letter is sent to contractors, follow-up contacts should be made with contractors where multiple manufacturing or management processes exist (based on the knowledge of any CAO specialist).

SPI success depends greatly upon the speed with which block changes are executed:

- Management Councils should report the receipt of each concept paper as soon as it is received and use the remainder of the initial 30-day period to obtain additional supporting data as needed;
- The initial CAO Management Council review of a concept paper should address the acceptability of the document in terms of the information needed to effectively evaluate the proposed process change and allow rapid judgement by the ACO; and
- The customers should perform the detailed evaluations of the contractor's proposed technical and business processes with assistance from DCMC during the approval phase of the 120-day period.

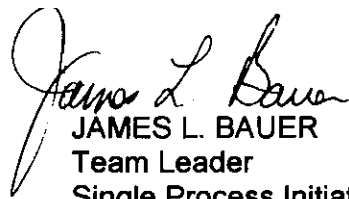
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**The preferred process:** When the contractor submits a concept paper to the CAO, it is first distributed to the Management Council. The ACO, with advice from the Management Council, will make a **rapid** decision on the viability of the proposed change. The DCAA field office will provide any financial advisory and audit services needed by the ACO to review concept papers. If the concept paper has merit, it moves to the approval phase where the Management Council requests that a Component Team Leader (CTL) be designated from the largest dollar value customer within each affected component. During this phase, the Management Council requests a CTL from each affected component; however, experience indicates that it is advisable to begin the process of obtaining a CTL in the proposal development phase immediately upon receipt of a concept paper. The CTL should serve on the Management Council and coordinate consensus among the component's affected customers.

The Management Council is in frequent communication at the local level assuring issues are worked quickly. Disagreements between customers within and between components should be worked as early in the process as possible. SPI SWAT teams are available to assist Management Councils when needed. The successive levels of conflict resolution are

- CAO Management Council
- Component Team Leader responsible for coordinating a block change proposal
- Component Acquisition Executive (for internal component disagreement)
- Defense Acquisition Executive (for DoD component disagreements).

Conflict resolution between DoD components should occur within the 120-day time period specified in Dr. Kaminski's memo. [Note: This pertains to disagreements between DoD components, not between the Government and the contractor. The SPI process does not include a contractor appeal process if Government representatives agree that a proposal is not acceptable.] Questions concerning the Single Process Initiative may be addressed to the Single Process Initiative Team at (703) 767-2471 or DSN 427-2471.

  
**JAMES L. BAUER**  
**Team Leader**  
**Single Process Initiative Team**



## **THE ROLE OF THE COMPONENT TEAM LEADER IN THE SINGLE PROCESS INITIATIVE**

The SPI implementing guidance issued by the Under Secretary of Defense for Acquisition and Technology, Dr. Kaminski, designates DCMC as the lead facilitator and builds the block change process on existing structures within the Military Service Components and the Office of the Secretary of Defense. Dr. Kaminski designed the process to create a sense of urgency in streamlining processes with emphasis on early customer involvement and interface. To accomplish this objective, the DCMC Management Council, upon receipt of a concept paper will advise the Administrative Contracting Officer (ACO) on the viability of the proposed process change to enable the ACO to make a rapid judgement. If the concept paper has merit, it moves to the approval phase where the Management Council requests that a Component Team Leader (CTL) be designated from the largest dollar value customer within each affected component. In the case of NASA contracts, each affected Center Director will designate a focal point to act as the liaison between the DCMC CAO and the NASA project office. Although the procedure is for the Management Council to request a CTL from each affected component during this phase, experience indicates that it is advisable to begin the process of obtaining a CTL in the proposal development phase immediately upon receipt of a concept paper.

Each CTL is responsible, within the respective component, for coordinating and facilitating consensus among all affected component customers; determining the technical acceptability of the proposed block change; and obtaining necessary programmatic authorizations. Each component affected by a concept paper from a prime contractor should have a CTL designated with decision authority by the Component Acquisition Executive (CAE) to represent the component customer base. Once the CTL is designated, the CAO should immediately notify each affected customer of the identity of the CTL. When requested, the CAO should also provide a copy of the concept paper to affected customers. The CTLs and other members of the Management Council work as a team to facilitate the review and approval of concept papers and ensure a timely block change modification process. The NASA-designated focal point serves much like the designated service CTL in receiving the concept paper, ensuring that the concept paper is reviewed by the appropriate personnel, serving on the Management Council, coordinating and advising appropriate NASA personnel, and ensuring that timely responses are provided to DCMC.

The CTL is responsible for elevating internal component issues for resolution, as necessary, through the CAE. Conflicts between different components should be elevated to the Defense Acquisition Executive (DAE) for resolution.

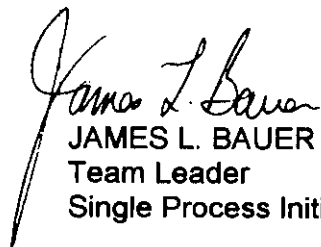
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Once technical issues are resolved, all affected customers should be notified of the pending process change and PCOs should be furnished a copy of the draft block change modification before it is executed by the ACO. When the proposed change is agreeable to the government but does not require a contractual modification, the ACO should execute a Memorandum of Agreement with the contractor which sets forth the details of the process change. In addition, the ACO should follow applicable laws, regulations, and policies in seeking and subsequently negotiating consideration when significant savings will result from the process change.

The ACO should continue to use sound business judgement in determining when and how much consideration is appropriate and how best to describe it in the block change modification. In addition to the agreed consideration, which sets forth the tangible and intangible benefits the parties expect to receive as a result of implementing a common process, each block change modification should include a listing of contracts impacted by the change.

Guidance has been issued on the designation of CTLs: SECDEF memo, Common Systems/ISO-9000/Expedited Block Changes, December 6, 1995; USD(A&T) memo, Single Process Initiative, December 8, 1995; DCMC memo, Adoption of Common Processes at Defense Contractor Facilities, December 11, 1995; ASA(RD&A) [Army] memo, Common Process Facilities Initiative, December 21, 1995; SAF(AQ) [Air Force] memos, Common Systems/ISO-9000/Expedited Block Changes, January 3, 1996, and Implementation of the Single Process Initiative, March 20, 1996; ASN(RD&A) [Navy] memo, DON Implementation of Department of Defense Policy on Single Process Initiative, February 5, 1996; DCAA memos, Participation in the Common Process Initiative, January 30, and February 16, 1996; DLA-MMPOA memo, Adoption of Common Processes at Defense Contractor Facilities, February 29, 1996; and NASA memo, Acquisition Reform:Single Process/Block Changes, May 17, 1996.

Questions concerning the Single Process Initiative may be addressed to the Single Process Initiative Team at (703) 767-2471 or DSN 427-2471.



**JAMES L. BAUER**  
**Team Leader**  
**Single Process Initiative Team**

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## SPI AND THE MODIFICATION PROCESS

The modification process under the Single Process Initiative (SPI) allows for the use of a **unilateral ARZ administrative modification** as described in FAR Part 204.7004(c)(5), even though the modification may not necessarily be administrative in nature.

**In performing Block Changes to contracts, contractors first submit recommended process changes as Concept Papers.** After technical agreement has been reached by all affected parties, the cognizant Administrative Contracting Officer (ACO) can then modify all applicable contracts at a given facility. Authority to do so is provided in the USD(A&T) letter dated December 8, 1995, Single Process Initiative. This process is to be used for “No Action” modifications only, that is, modifications that do not change Mechanization of Contract Administration Service (MOCAS) data elements. If contracts require equitable adjustments, they should be processed using a separate Supplemental Agreement after negotiations have been concluded.

**It is recommended that the block change modification be issued as soon as possible** so that the Government and contractor can begin reaping benefits from any cost savings/avoidances. Even in those cases where savings are significant and require further negotiations, the ACO should still issue an initial block change modification and then definitize the action with a Supplemental Agreement as soon as possible. In such cases, the initial block change modification must contain language that preserves the Government’s entitlement to an equitable adjustment or other appropriate consideration.

**The modification language should be drafted by the ACO and furnished to the contractor and all affected Procurement Contracting Officers (PCOs) prior to execution.** This should be done as early as possible while the Concept Paper is in coordination. If you would like a sample draft modification, please contact your District Functional and System Support Team (FASST) team representatives. The ACO should ensure that the Government legal office reviews the modification as well.

**It is recommended that a Memorandum of Agreement (MOA) be drafted which describes the proposed modification and implementation schedule.** A list of affected contracts, if different than the entire listing of contracts at a facility, should be attached. After the ACO and the contractor sign the MOA, the Standard Form (SF) 30, Amendment of Solicitation/Modification of Contract, should be coordinated with the Defense Finance and Accounting Service (DFAS) Contract Entitlement Directorate Systems Office, DFAS-JXS, and the District FASST. MOCAS will automatically issue the correct ARZ number for each contract. An

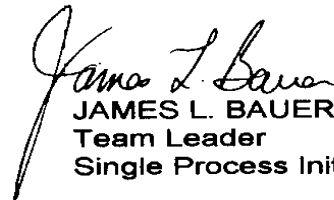
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alternative process is to issue a bilateral class modification, but this would require listing the sequential modification number for each contract at a facility.

On the SF-30, please leave block #2, Amendment/Modification No., blank when executing an ARZ modification. In block #10A, Modification or Contract/Order No., cite a reference to the attached list of contracts if necessary. The MOA and list of contracts should be referenced in -- and included as an attachment to -- the SF-30. Cite the USD(A&T) letter in block #13 as authority for the modification. In block #14, Description of Amendment/Modification, briefly describe the attached MOA between the Government and contractor.

For Concept Papers that do not require contract modifications, a Memorandum of Understanding (MOU) can be drafted and signed by the ACO and contractor to implement the process changes proposed.

Please direct any questions regarding this matter to the Block Change Team at DCMC Headquarters at (703) 767-2471 or DSN 427-2471.



**JAMES L. BAUER**  
Team Leader  
Single Process Initiative Team

(For Information Only - Not Official Policy) This is the seventh in a series of Single Process Initiative (SPI) information sheets. These information sheets are intended to facilitate implementation of SPI and are for internal use by Defense Contract Management Command (DCMC) personnel.

## NASA AND SPI

The National Aeronautics and Space Administration (NASA) is a valued DCMC customer. **NASA is also an important partner in the DoD SPI process.** On May 17, 1996, the NASA Administrator issued SPI-implementing guidance expressing enthusiastic support for SPI and NASA's intent to cooperate with DCMC in the implementation process. Since that time, there have been many SPI meetings at NASA Headquarters and Space Flight Centers.

**Our implementing guidance stresses the importance of early customer notification and involvement** in processing contractors' concept papers. NASA has requested that they be involved in the concept paper review process at the earliest possible time when NASA contracts are -- or may be -- affected. Therefore, regardless of the dollar value of NASA contracts, the cognizant NASA Space Flight Center should be invited to participate on the Management Council.

**Each NASA Center Director has appointed a focal point for implementing SPI.** The Center Focal Point acts as the liaison between the DCMC Contract Administration Office (CAO) and the affected NASA project offices; receives the concept papers from DCMC; ensures that the concept papers are reviewed by the appropriate personnel; serves on -- or designates -- a member to serve on the DCMC Management Council; coordinates with other NASA Centers, as appropriate; and assures a timely response back to DCMC.

**For each project/program, the cognizant NASA Contracting Officer (CO), together with the Program Manager, will review each proposed block change for approval.** Unless the affected process is required by a NASA Management Instruction or the NASA FAR Supplement, no higher level of approval is necessary. However, any non-approval must be reviewed by the Center Director. Once the principals agree to the single process, the NASA CO's written approval, including any delegations deemed necessary, will be conveyed to DCMC for implementation within a contract block change.

**If only one or two project offices are affected by a proposed process change, the ACO should invite each of the PMs to participate on the Management Council.**

**If several projects at a single NASA Center are affected, then the invitation should be extended to the designated Center SPI Point of Contact (POC)** who will coordinate a project-by-project response.



**If more than one Center is affected, then invitations should be extended to each Center POC. Where a Lead Center relationship exists, a representative of that Lead Center should represent all affected NASA contracts.**

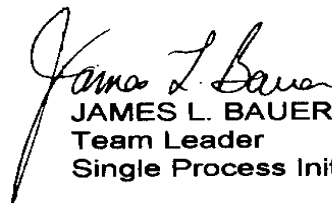
### **MODIFYING NASA CONTRACTS**

The NASA Administrator's May 17, 1996 letter provides authority for DCMC ACOs to modify NASA contracts once the DCMC ACO receives written concurrence from the NASA CO. The ACO can accomplish this using the block change modification process.

### **CONSIDERATION**

The DCMC ACO will typically develop an estimate of the total consideration due on all affected Government contracts. This amount will be apportioned to affected contracts after discussion with Component Team Leaders and the NASA focal point. The DCMC ACO will then negotiate consideration with the contractor.

Please direct any questions regarding this process to the Block Change Management Team at DCMC Headquarters at (703) 767-2471 or DSN 427-2471.

  
**JAMES L. BAUER**  
**Team Leader**  
**Single Process Initiative Team**

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# FASA AND THE SINGLE PROCESS INITIATIVE

The block change process under the Single Process Initiative (SPI) is a highly effective vehicle for implementing changes authorized by the Federal Acquisition Streamlining Act of 1994 (FASA); both SPI and FASA are tools for furthering the tenets of acquisition reform.

**FASA changes are appropriate candidates for block changes under SPI.** Additionally, Management Councils should not treat concept papers requesting changes related to FASA implementation as legal or regulatory changes; they should process these concept papers without any further review by higher headquarters.

The Federal Acquisition Regulation (FAR) 43-102, was amended to implement Section 10002 of Public Law 103-355, which provides for modification of existing contracts, when requested by the contractor, to incorporate changes authorized by FASA. Contracting Officers, because of the FAR 43-102 coverage, have the authority to modify existing contracts to incorporate changes resulting from FASA implementation. As such, **Administrative Contracting Officers (ACO) should accept concept papers that propose FASA conversion; however, ACOs must be careful to ensure that each contract meets the definition for conversion prior to contract modification.**

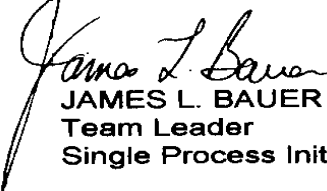
**Legal counsel should be included in the review of these concept papers.**

Once the ACO, with the assistance of the Management Council, determines that the proposed contract changes are appropriate, and all affected customers have been notified and concur, the ACO may execute a block change modification. FAR 43-102 encourages contracting officers to modify existing contracts for this purpose without requiring consideration.

Additionally, Management Councils should not treat concept papers requesting changes related to FASA implementation as legal or regulatory changes to be processed in accordance with the DCMC policy letter of April 19, 1996, Subject: Single Process Initiative, Statutory Changes or Regulatory Deviations. These concept papers may be processed without any further review by higher headquarters.

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Please direct any questions regarding SPI to the DCMC Block Change Management Team at (703) 767-2471 or DSN 427-2471.



**JAMES L. BAUER**  
**Team Leader**  
**Single Process Initiative Team**

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**DEFENSE LOGISTICS AGENCY**  
**DEFENSE CONTRACT MANAGEMENT COMMAND**  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221



IN REPLY  
REFER TO

AQO

APR 19 1996

**MEMORANDUM FOR COMMANDERS, DCMC CONTRACT ADMINISTRATION  
OFFICES**

**SUBJECT: Single Process Initiative, Statutory Changes or Regulatory Deviations**

In our Reinvention Laboratory for Reducing Oversight Costs, contractors have submitted proposed waivers to statute or regulations. In addition, contractors are now submitting concept papers under the Single Process Initiative that include requests for statutory changes (e.g., Competition In Contracting Act, Truth In Negotiation Act) or deviations from regulatory requirements (e.g., FAR, DFARS, DoDI 5000.2). As submitted, these requests usually address requirements imposed by law or General Services Administration regulations. I have determined that proposed changes to statute or deviation from regulations belonging to other than DoD should be submitted, recorded and pursued under the Single Process Initiative rather than the Reinvention Laboratory for Reducing Oversight Costs. The following guidance should be used when processing concept papers that request statutory change or regulatory deviation.

The local Management Council, with advice from their District "SWAT Team" legal counsel member, should review all concept papers to analyze the merits and cost-benefits of the change regardless of statutory or regulatory requirements involved. Once the Management Council determines that a concept paper affecting statutory or regulatory requirements benefits the Government, the Contract Administration Office (CAO) should process the change or deviation request using the following guidance.

For requests which involve changes to law, the Management Council will submit the request to Headquarters DCMC Block Change Management Team. The request will fully describe (1) the specific statute to be amended or repealed; (2) the detailed rationale as to why the change is needed, including a statement of what problem or situation will be avoided, corrected or improved if the request is approved; (3) the cost, schedule or performance benefit to the Government; and (4) the suggested change language.

For requests which involve changes or deviations to regulations, including FAR and DFARS, the Management Council will also submit the request to Headquarters DCMC Block Change Management Team. Each request should contain (1) the FAR, DFARS or other regulatory citation from which a deviation is needed, including a discussion of whether the requirement originates from statute or a directive of another agency; (2) a statement as to whether the change or deviation will have a significant effect beyond the internal operating



procedures of the agency or a significant cost or administrative impact on contractors, and give reasons to support the statement; and (3) a detailed rationale as to why the change or deviation is needed, including a statement of what problem or situation will be avoided, corrected or improved if the request is approved.

If a concept paper involves statutory or regulatory requirements, the CAO will report it in their Service Acquisition Executive report to the Headquarters DCMC Block Change Management Team. The CAO will cite the source of the requirement and the specific portions of statute or regulation to be changed in the "Description of the Common Process" data element of the report. The CAO will report the date the request was submitted to the Headquarters DCMC in the "Current Status" data element of the report. Once the request has been submitted, no further reporting will be required until the request is approved and the concept paper is re-inserted into the block change process.

If you have questions on the Block Change process, contact Mr. Jim Bauer, Block Change Management Team Leader at (703) 767-2471/ DSN 427-2471.



ROBERT W. DREWES  
Major General, USAF  
Commander



**DEFENSE LOGISTICS AGENCY**  
**DEFENSE CONTRACT MANAGEMENT COMMAND**  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221



IN REPLY  
REFER TO

**AQOF**

APR 25 1996

**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS**

**SUBJECT: Reinvention Laboratory for Reducing Oversight Costs**

I have reached the conclusion that proposed waivers to statute or regulations belonging to other than the DoD should be submitted, recorded and pursued under the Single Process Initiative (SPI) rather than the Reinvention Lab for Reducing Oversight Costs. These proposed waiver requests often include such matters as the reutilization screening and depreciation of government property. As submitted, these requests usually address requirements imposed by law and/or General Services Administration regulation.

I believe using SPI procedures will be the better approach at this time. The reasons include:

- a. It will provide a better capability to combine any applicable request from a Reinvention Lab participant with the same or similar requests from an enormously larger population of defense contractors. (SPI participation is actively encouraged from all 24,000 contractors under cognizance of DCMC while Reinvention Lab participation is limited to ten contractors.)
- b. The SPI procedures are highly structured affording high level, constant visibility and tracking. No proposal will be misplaced and the upward access for escalating issues rapidly within the DoD, to achieve departmental positions, is greater.
- c. The authorities for Reinvention Lab experimentation, as provided by law, do not include waiving requirements of law. Therefore either way, whether a Reinvention Lab or an SPI proposal, the idea must be processed through the DoD for formal pursuit of legislative relief.

I am issuing guidance to the Contract Administration Office Commanders outlining procedures to be used in processing concept papers that propose changes to law or regulation. I intend to discuss this approach in detail at my meeting on May 2, 1996 with industry Reinvention Lab representatives. Obviously, the approach I have recommended in this memorandum requires voluntary participation of the contractors. No one should or is telling them what to submit nor



how. However, this is my personal recommendation which I encourage highly for the reasons indicated. My point of contact is Mr. Lyle J. Bare and he can be reached at (703) 767-3392/DSN 427-3392.



ROBERT W. DREWES  
Major General, USAF  
Commander

cc:  
D, DP

January 8, 1997

MEMORANDUM FOR MS. MARIALANE SCHULTZ, CHAIRPERSON, DCMC  
SINGLE PROCESS INITIATIVE BLOCK CHANGE  
MANAGEMENT TEAM

SUBJECT: Single Process Initiative -- Prime and Subcontractor Relationships Integrated  
Process Team (IPT) Final Report

Attached is the final report of the IPT on prime and subcontractor relationships. As you recall, the IPT was chartered on November 4, 1996 by Major General Drewes. The charter called for the report to be issued by November 29, 1996. Due to the complex issue of prime and subcontractor relationships, additional time was necessary in order to correctly identify the problem and a proposed solution.

The IPT appreciates the opportunity to work on such a critical issue, and looks forward to answering any questions you or members of the Block Change Management Team might have.

(signed)  
DAVID WRIGHT  
Chairman, Prime and  
Subcontractor Relationships  
Integrated Process Team

Attachment

**SINGLE PROCESS INITIATIVE**  
**PRIME AND SUBCONTRACTOR RELATIONSHIPS**

**FINAL REPORT**

**January 8, 1997**

**BACKGROUND**

Initial OSD guidance for the Single Process Initiative (SPI) applied only to DoD prime contracts at a contractor's facility. It did not address prime contractors who also perform work as subcontractors to other DoD primes. They are unable to implement an approved SPI process on a facility-wide basis when requirements flowed down by prime contractors are inconsistent with the approved SPI. On March 28, 1996, Major General Robert Drewes, Commander, Defense Contract Management Command (DCMC), chartered the first IPT to investigate this issue. The IPT issued its report June 28, 1996.

On September 3, 1996, a USD (A&T) memorandum established a parallel process enabling a prime contractor to participate in the review of a concept paper submitted by its subcontractor. Under this process, a contractor voluntarily identifies government contracts in its concept paper on which it is a subcontractor. The DoD program managers and associated prime contractors are then consulted as part of the technical review of the proposed change. Should a contract require modification to enable the prime contractor to accept the subcontractor's proposed change, the contract is modified by the cognizant Administrative Contracting Officer (ACO) providing all parties agree.

Shortly after the parallel process was established, complaints began to surface about the inability of prime contractors to accept a subcontractor's approved SPI process. On November 4, 1996, Major General Drewes established a second IPT to recommend additional steps that could be taken. Consisting of representatives from the Services and DCMC, the IPT met on four occasions (November 7 & 12 and December 5 & 6, 1996). The last three meetings included invited members of industry. All meetings were held at Headquarters, DCMC, Ft Belvoir, VA. A list of IPT members and industry invitees is at the conclusion of this report.

**PROBLEM**

In many cases, requirements in prime contracts are inconsistent with government approved SPI processes at subcontractor facilities. Although some prime contract requirements are statutory or regulatory based, these requirements are predominantly specifications and



standards, which are typical subjects of SPI. Prime contractors routinely flowdown these requirements to be in compliance with the contract. The subcontractor is thereby precluded from fully implementing its SPI without approval from the prime contractor and modification of its subcontract. The prime contractor is unable to modify its subcontract without first getting relief from the government.

Eliminating flowdown will not solve the problem of an inconsistent requirement to which the prime contractor must comply. To alleviate the problem, a prime contractor needs the ability to substitute a previously government approved subcontractor SPI process to meet the inconsistent prime contract requirement, and at the same time remain in compliance with the prime contract.

### **AVAILABLE SOLUTION**

The prime contractor can use the conventional contract change's process and submit its request to the Procuring Contracting Officer (PCO), or use the existing SPI process and submit a concept paper identifying the inconsistent requirement and the subcontractor SPI process they want as its substitute. However, both methods are extremely time consuming and require new submittals each time the prime contractor wants to accept a subcontractor SPI process that is inconsistent with a prime contract requirement. While these are acceptable methods, it was felt that a more all encompassing approach is required.

### **ALTERNATIVE SOLUTION # 1 (Not Recommended)**

Our original proposal was to have the Department authorize a one-time block change modification to all existing DoD contracts. This block change would incorporate a standard "SPI Enabling Provision" that would allow prime contractors, to the extent a contract requirement was inconsistent with a previously government approved subcontractor SPI process, the authority to substitute that process to meet the inconsistent requirement. All other terms and conditions of the contract would have remained in effect, and the prime contractor would have still been responsible for adhering to performance, cost and schedule requirements.

In a meeting held with representatives from the Office of the Director, Defense Procurement; Office of the Deputy Under Secretary of Defense (Acquisition Reform); and the Services, it was recognized that this method of implementation required additional thought. As proposed, it would remove the program manager from the approval process; it would be an administrative burden to execute with over 25,000 contractors and thousands of contracts, many of which may never have the need for such a provision and all of which were not under the cognizance of DCMC; and it would also be subject to the "rule-making process" since standard contractual language was being proposed.

Notwithstanding these problems, it was still felt that the salient characteristics of this proposal had considerable merit.

It was recognized that the policy guidance in the USD(A&T) September 3, 1996, memorandum provided a means to address prime/sub issues from the perspective of the contractor as a subcontractor, i.e., via coordination with ultimate government customers and consultation with prime contractors. Fundamentally, however, it was felt that because prime contracts needed to be modified to enable prime contractors the freedom to deal with their subcontractors where SPIs had been previously accepted by the government, any alternative solution must be addressed from the perspective of the prime contractor. It was further recognized that the existing SPI process does that; its procedures provide for all customers to be involved through participation on the management council or as represented by component team leaders; a cost benefit analysis is conducted; and facility specific issues are addressed. After much deliberation, it was concluded that by utilizing the existing SPI process and procedures for implementation, and not proposing a standard enabling provision, the salient features of this proposal could be preserved.

#### **ALTERNATIVE SOLUTION # 2 (Recommended)**

It is recommended that prime contractors develop and propose their own enabling approach. Utilizing the existing SPI process and procedures, a prime contractor would propose all its prime contracts at a given facility be modified in such a way so as to allow the prime contractor to substitute a previously government approved subcontractor SPI process to meet an inconsistent requirement called out in the prime contract. While exact language will have to be agreed upon, the approach in general should:

- reflect that the prime contractor is being given the right to substitute a previously government approved subcontractor SPI process to meet an inconsistent prime contract requirement (excluding requirements that flow from statute, executive order, FAR/DFARs, or other government-wide regulations, e.g., Department of Labor, Cost Accounting Standards Board, etc).
- reflect that any decision to accept and substitute a previously government approved subcontractor SPI process to meet an inconsistent prime contract requirement is solely at the discretion of the prime contractor.
- ensure that the prime contractor when making these substitutions, commits that the end product will perform as good or better than it would have, had the substitution not been made. There also should be no adverse impact to cost or schedule.
- provide for written notification to the PCO upon acceptance of any previously government approved subcontractor SPI process, and the in lieu of prime contract requirement.

- provide for a cost-benefit analysis that is adequate to determine the rough order of magnitude of any costs and benefits to the contractor. As with any concept paper under SPI, the cost-benefit analysis is intended to be just sufficient enough to allow the ACO to determine if the change is on a “no cost” basis, or if the government is entitled to consideration. The negotiation of consideration should not delay the contractor going forward with the substitution.

## **IMPLEMENTATION**

Once a prime contractor develops its enabling approach, they would propose it in a concept paper and submit it to the local DCMC Contract Administration Office (CAO) management council. The management council consisting of senior level representatives from the CAO, the cognizant Defense Contract Audit Agency office, the prime contractor, and affected key customers, i.e., program managers, as represented by the component team leaders, reviews the proposal. The component team leader coordinates acceptance of the proposal with each affected program manager. If agreement is reached, the cognizant ACO executes a block change modification to all the prime contractor’s prime contracts at that given facility. The modification is accomplished using the established modification process under SPI utilizing a unilateral ARZ administrative modification that incorporates a bilateral Memorandum of Agreement. Once the block change has been completed:

1. A prime contractor desiring to accept a previously government approved subcontractor SPI process in the performance of work under the prime contract, makes a determination whether the subcontractor SPI process is technically acceptable for work performed on the subcontract;
  - If unacceptable, the prime notifies the subcontractor.
  - If acceptable, the prime modifies the subcontract.
2. Written notification is provided to the PCO.
3. A cost-benefit analysis is submitted to the ACO for evaluation.
  - If no consideration is due, the change is at “no cost”.
  - If consideration is due, the ACO advises the prime contractor, proceeds with negotiations, and modifies the existing contract or contracts accordingly.

## **CONCLUSION**

The enabling approach is not a panacea. If accepted, it would be another alternative approach to those already available to the contractor. The parallel approach established by the USD(A&T) September 3, 1996, memorandum and outlined in the background section of this report would still be an equally acceptable approach. The serial approach currently being followed by many contractors, in which government approval is obtained

before seeking approval of the prime would also be equally acceptable. The choice would be at the discretion of the contractor submitting the concept paper.

The enabling approach is in keeping with acquisition reform and the Department's move towards performance based contracting. Program managers will assume some risk. This is part of the cultural change, i.e., level of trust, required both under SPI and performance based contracting. The very nature of SPI and performance based contracting equates to some degree of increased risk. However, any increased risk is thought to be minimal and clearly outweighed by the advantages of not burdening the program manager each and every time a prime contractor wants to accept a previously government approved subcontractor SPI process. Prime contractors also assume some performance risk and will be required to take a closer look at a subcontractor's performance. On the other hand, maintaining status quo will result in increased cost, effort, and ultimately delays for the subcontractor in fully implementing its approved SPI process. Most importantly, however, will be the increased cost passed on to the government if subcontractors are forced to maintain processes in addition to their approved SPI.

The enabling approach offers the greatest potential to solving the prime/sub problem in an efficient, effective, and expeditious manner without disturbing privity of contract.

### **EDUCATION AND PROMOTION OF SPI**

There was considerable feedback that the level of education and promotion of SPI needs improvement. Too many personnel, both government and contractor, have not heard of SPI or believe it has nothing to do with them. DoD should reemphasize the need for education and promotion of SPI within the Department. SPI should not be considered a DCMC or DoD "only" thrust. Industry should also be responsible for ensuring a strong and continuing education effort in order to release the full potential of SPI. Industry Associations need to take on a leadership role among their member corporations in sponsoring and promoting the education of SPI through events such as prime/sub conferences. The Council of Defense and Space Industry Associations (CODSIA), an association of nine industry associations that, in total, represents over ten thousand individual companies, would be an ideal vehicle for getting the word out.

## **RECOMMENDATION**

1. The Block Change Management Team should propose that DCMC draft a letter for USD(A&T) to OSD Principals that:
  - establishes the enabling approach as an equally acceptable method to parallel and serial processing;
  - encourages the acceptance of a prime contractor's concept paper that proposes the enabling approach in those situations where the ultimate government customer feels it is appropriate to do so; and
  - emphasizes the need for increased education and promotion of SPI.
2. The Block Change Management Team should propose that DCMC draft a letter for USD(A&T) to CODSIA that:
  - addresses the enabling approach and encourages its use by contractors as an alternative to parallel and serial processing; and
  - solicits help in getting their member associations to take on a leadership role in the education and promotion of SPI among their member companies.

### **IPT MEMBERS**

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PEO Tactical Missiles, Dept of Army  
Redstone Arsenal, AL

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Mr Glen Gadbury  
Divisional ACO  
DCMC Lockheed Martin Tactical Aircraft Systems  
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Convergence, Systems Group  
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Ms Meredith K. Murphy  
Director, Government Business Affairs  
McDonnell Douglas Corporation  
Arlington, VA

Mr Walter F. Rupinski  
Director, Government Acquisition Policy  
The Boeing Company  
Arlington, VA

Mr Edward L. Will  
Director, Contracts & Pricing, Acquisition  
Streamlining, McDonnell Douglas Aerospace  
St. Louis, MO

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**DEFENSE LOGISTICS AGENCY**  
THE DEFENSE CONTRACT MANAGEMENT COMMAND  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221

IN REPLY  
REFER TO

AQOG

OCT 22 1996

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS

SUBJECT: DCMC Memorandum No. 96-58, Role of Management Council in  
Facilitating the Reduction of Multiple Government Audits (POLICY)

This is a POLICY memorandum. It expires when content is included in DLAD 5000.4, Contract Management (One Book). Target audience: Management Council members. The purpose of this memorandum is to expand the DCMC policy execution of the Under Secretary of Defense (Acquisition & Technology) memorandum, Implementing More Efficient Oversight of Defense Contractors, August 21, 1995.

The DoD goal is to eliminate unnecessary contractor overhead costs and decrease duplicative government audits. Effective immediately, the role of the DCMC Contract Administration Office (CAO) Management Council will include serving as a catalyst in minimizing audits performed by government entities at specific contractor locations. The Management Council will coordinate and integrate planned government audit activity among the various government customers at each applicable contractor facility.

The DCMC CAO collects, stores, and accesses data received from government agencies relating to audits, reviews or ratings of contractor operations, systems, and performance. The Management Council should encourage the use of existing government contractor performance information or the availability of DCMC audit skills by customers planning an on-site audit. When a project/program unique audit is determined to be necessary at the direction of the project/program office, then the DCMC Management Council will share information and audit skill assets with the applicable project/program office to target the scope of the unique audit.

Questions on this memorandum maybe referred to Maurice Poulin, Product and Manufacturing Assurance Team, (AQOG), at DSN 427-2395 or (703) 767-2395, Internet address: maurice\_poulin@hq.dla.mil.

ROBERT W. DREWES  
Major General, USAF  
Commander





DEFENSE LOGISTICS AGENCY  
DEFENSE CONTRACT MANAGEMENT COMMAND  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22083-8221



IN REPLY  
REFER TO

OCT 301996

AQOD

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT  
DISTRICTS

SUBJECT: DCMC Memorandum No. 96-67, Management Councils (POLICY)

This is a POLICY memorandum. It expires when its contents are included in DLAD 5000.4, Contract Management, or after one year. Target Audience: All DCMC employees.

We are in the process of ending the Reinvention Laboratory for Reducing Oversight Costs in favor of the DoD Single Process Initiative (SPI). SPI provides an effective mechanism for addressing contractor waiver requirements, and provides a better capability for combining the same or similar requests from an enormously larger population of defense contractors. SPI participation is actively encouraged from all 24,000 contractors under the cognizance of DCMC, while reinvention lab participation has been limited to a few contractors.

A Reinvention Laboratory innovation we most definitely want to preserve, though, is joint Government/Contractor Management Councils. When the Reinvention Laboratory for Reducing Oversight Costs was established in September 1994, each of the lab sites was directed to establish a Management Council. The Councils, which have been one of the lab's greatest successes, are responsible for chartering **multi-functional, multi-organizational** teams and then managing the activities of those teams, providing guidance, coordinating issues, resolving disputes, and approving team recommendations. Council membership includes key DCMC, DCAA, contractor, buying activity, and program office representatives.

Those Management Councils were so successful in promoting better teamwork, communication, and cooperation between contractors, DCMC, DCAA, and our major customers, that DoD adopted the laboratory's Management Council concept for SPI. Management Councils were also set up in late 1995 to manage the Reinvention Laboratory, "Enhance the Use of Parametric Cost Estimating Techniques." In a December 11, 1995 memorandum to the District Commanders, I wrote: "Each field office should establish a Management Council comprised of contractor, DCMC, DCAA,



and key customer representatives in order to facilitate a timely and constructive exchange of information.” That direction still stands. In fact, I want to **further** emphasize it.

I strongly believe that joint Government/Contractor Management Councils are ideal for fostering process improvements and successfully managing initiatives for reducing oversight and acquisition costs. They have also proven extremely successful in opening new channels of communications between ourselves, contractors, DCAA, and our customers. They have enabled us all to tackle, and correct, problems that before would have been simply impossible to solve. I want those successes to continue. If there are any questions, please contact Mr. Don Reiter, Contractor Capability and Proposal Analysis Team (AQOD), at (703) 767-3407 or DSN 427-3407.

A handwritten signature in black ink, appearing to read "Robert W. Drewes", with a stylized, flowing script.

ROBERT W. DREWES  
Major General, USAF  
Commander

## Defense Contract Management Command



## The Single Process Initiative *Accelerating the Pace*

<http://www.dcmc.dcrb.dla.mil>

This presentation provides insights into the progress made and actions being taken to accelerate the pace of the Single Process Initiative (SPI): It covers:

- How SPI supports the objectives of Acquisition Reform.
- An overview of how the SPI process works.
- The progress made to date in implementing SPI
- Key areas that are an essential part of accelerating SPI.

The presentation should be used, in conjunction with the management council video, as an introduction to the discussion session. The discussion session is an essential part of helping Acquisition Reform Day (ARD) participants apply the information presented to increase SPI effectiveness within their respective organizations.

A recommended discussion format is to divide participants into groups of five to seven individuals each. Assign discussion questions to each group, depending on the number of groups available. For example, group "A" answer questions 1 and 2, group "B" answer questions 3 and 4, etc.. Each group would then share their answers with the other groups in an open discussion at the end of the session.

Instructors/discussion leaders should be thoroughly familiar with all material included in the ARD SPI Syllabus.



## Acquisition Reform Day II

### **AGENDA:**

- â Acquisition Reform Atmosphere
- â Overview of SPI -- the First 12 Months
- â Accelerating the Pace by...
  - ...Allowing SPI on New Procurements
  - ...Tackling Law & Reg Proposals
  - ...Going After Savings/Cost Avoidance
  - ...Facilitating SPI Between Primes & Subs
  - ...Expanding Management Council's Role
  - ...Increasing Awareness at Working Level
  - ...Sharing Successes
  - ...Building on SPI and Changing the Mindset
- â Discussion

The presentation should focus on what is been done to accelerate the pace of SPI implementation. Therefore, the presenter should only spend as much time as necessary on reviewing the SPI process (the first two agenda items) and then focus the remainder of the presentation on accelerating the pace of SPI.

Be sure to budget sufficient time to:

- Adequately cover all areas under "Accelerating the Pace by..."
- Allow for a discussion session after the presentation.



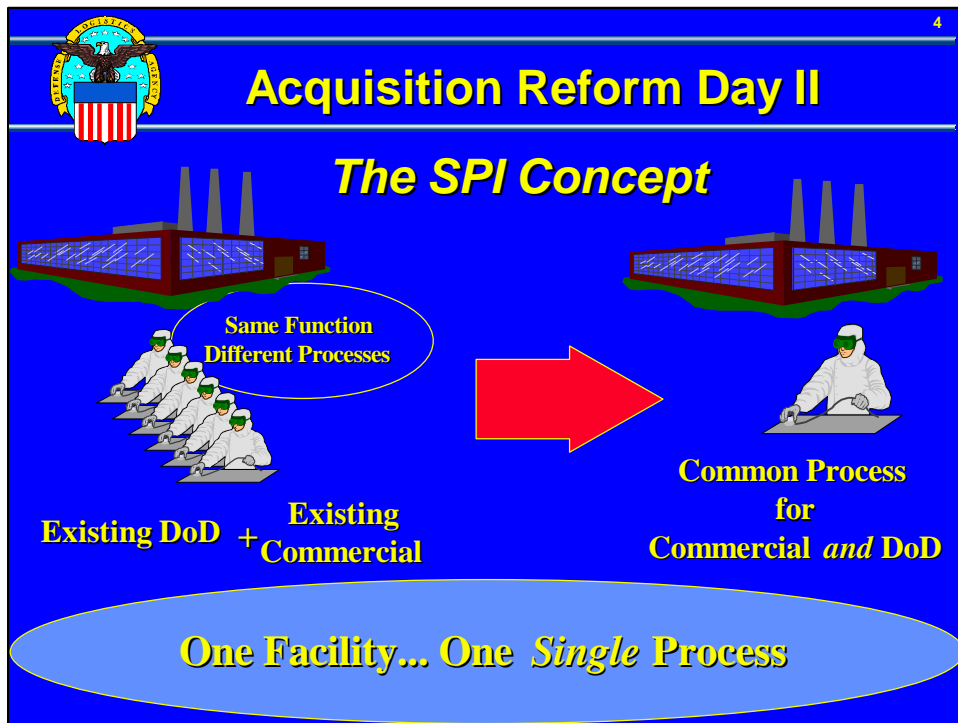
Better, faster, at a lower cost... Acquisition reform has spawned a number of different initiatives, changes in regulations, and process action teams. All have one overarching principle, to meet our military objectives in an atmosphere of reducing budgets.

Specification and standard reform -- making the transition to performance based requirements -- is a central element of acquisition reform.

The guiding principle of specification and standards reform is to leave management and manufacturing processes to the contractor's discretion whenever possible.

On June 29, 1994, Secretary of Defense William Perry directed that future contract requirements would be stated in terms of performance expectations in order to:

- Increase access to commercial technology.
- Provide more efficient, constant, and stable factory-wide processes.
- Encourage contractor self-oversight.
- Specifications and Standards Reform and SPI are closely linked.



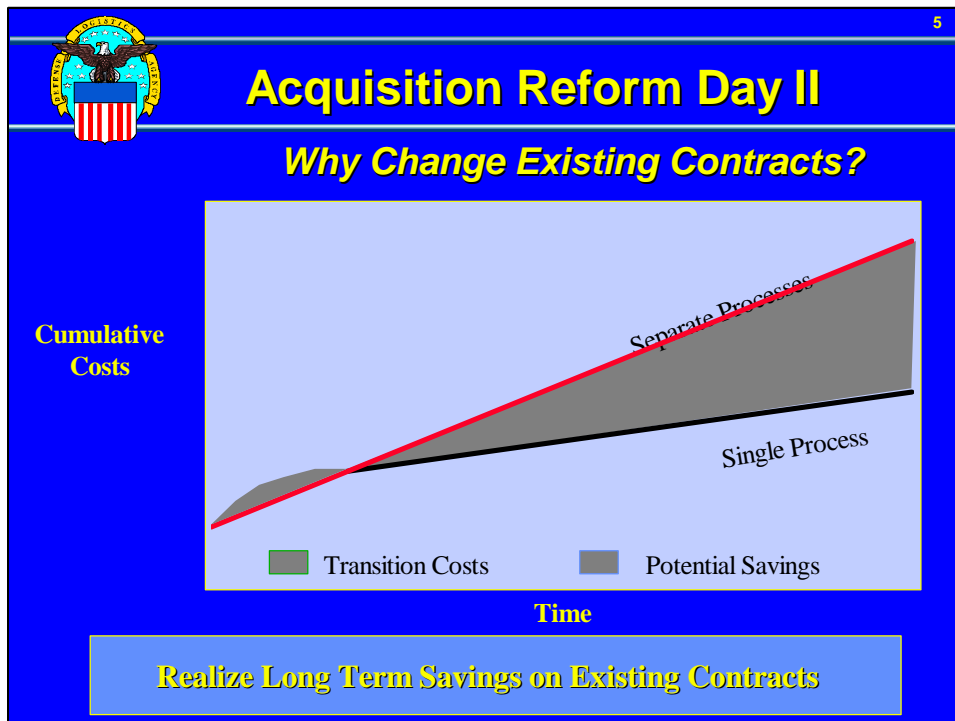
On December 8, 1995, Secretary of Defense William Perry and Under Secretary of Defense for Acquisition and Technology Dr. Paul Kaminski announced implementation of the Single Process Initiative (SPI).

SPI transitions contractor facilities from multiple Government-unique management and manufacturing systems to the use of common, facility-wide processes.

Using a "block change" modification approach, SPI unifies requirements in existing contracts on a facility-wide basis, rather than on a contract by contract basis.

SPI is the key to DoD Acquisition Reform efforts; it provides a method to implement acquisition reform goals in contracts today. It is intended to reduce contractor operating costs and achieve cost, schedule, and performance benefits for the Government.

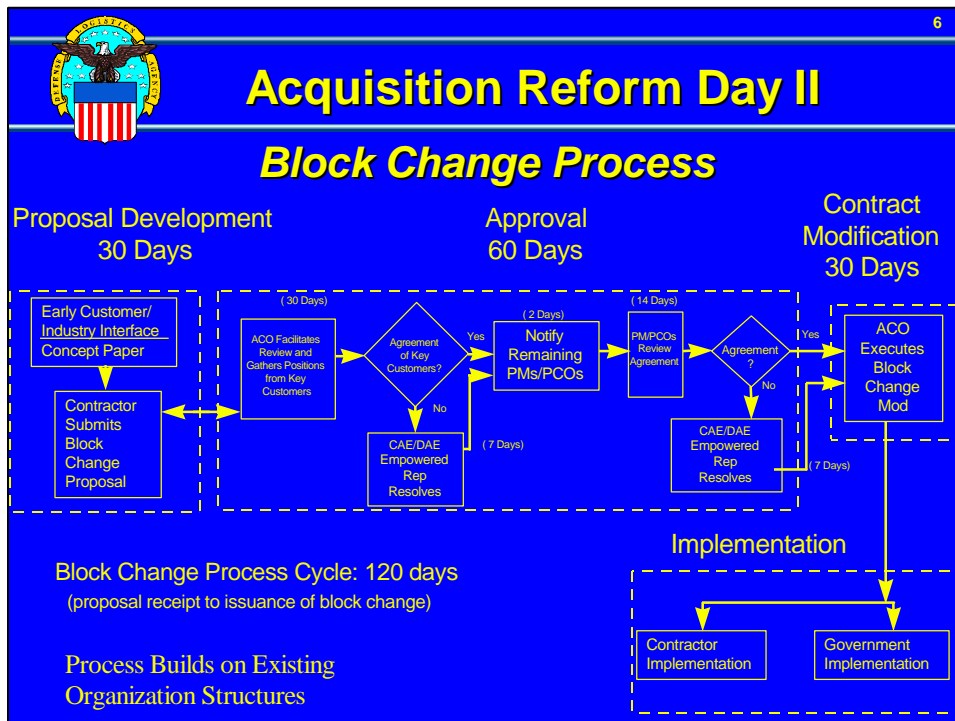
The benefits of SPI are more efficient, consistent, stable processes with greater ease of contract administration for both contractor and Government and savings for the taxpayer.



This chart illustrates how this initiative is expected to play out over time. There's going to be a period of transition... in which there may be costs of transitioning away from military unique requirements to common, factory-wide process.

It also illustrates the importance of expediting this transition so that we can begin to realize long term savings on existing contracts.

Although we don't know enough today to predict cost avoidance in the future, we do know that the longer it takes us to make the transition to common processes, the longer we -- contractors and DoD -- will bear the added cost premium of doing business the old way.



The BLOCK CHANGE PROCESS depicted here shows the decision flow along with timelines expected of this streamlined process. The process has four key features:

- An expedited process built around a 120 day cycle, from concept paper submission to block change modification.
- Uses existing structures within OSD and Components.
- Designates the DCMC as the lead for facilitating the process.
- Designed to move the process forward by quickly elevating and resolving problems or roadblocks.





## Acquisition Reform Day II


### ***A Four Step Process:***

- â Contractor Submits Concept Paper**
- â Management Council Evaluates Concept Paper**
- â Block Changes Are Made to Existing Contracts to Authorize the Use of the Single Process (if management council approves concept paper)**
- â Equitable Adjustments Made to Contracts if Substantial Savings Anticipated From Changes**

SPI is essentially a four step process:

1. The contractor prepares and submits a concept paper proposing to change or eliminate a DoD prescribed process. The initial Contract Administration Office (CAO) review should address acceptability in terms of the information needed to evaluate the proposed process change and allow rapid judgment by the Administrative Contracting Officer (ACO). We encourage contractors and customers to work together, using an Integrated Product Team (IPT) approach, as the concept paper is being developed.
2. Component Team Leaders (CTLs) should perform an evaluation of the contractor's proposed technical and business process, achieving consensus within their respective component and with other CTLs.
3. Once the management council agrees on the contractor's proposed process, all affected customers are notified of the pending change as a final sanity check. Once all customers have been notified, the ACO executes the modification.
4. The Government is entitled to consideration when there are one-sided savings in the process. For most contracts that we have in place, there will be bilateral cost avoidance -- the savings will be passed directly to the Government and, in the end, to the taxpayer (i.e., cost-reimbursable contracts). For longer term fixed-price contracts, savings would be realized by the contractor but the contract's fixed-price structure has no mechanism to automatically pass along these savings to the Government. Therefore, we would seek consideration either non-monetarily or as adjustments to the contract prices.

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## Acquisition Reform Day II

### Concept Paper (proposal) Development

Early Customer/  
Industry Interface  
Concept Paper

↓

Contractor  
Submits  
Block Change  
Proposal

↔

- â **Early Customer / Industry Interface**
- â **Develop Concept Paper with Cost-Benefit Analysis**
- â **Contractor Submits Proposal if Required**
- â **Activity Reported Weekly**

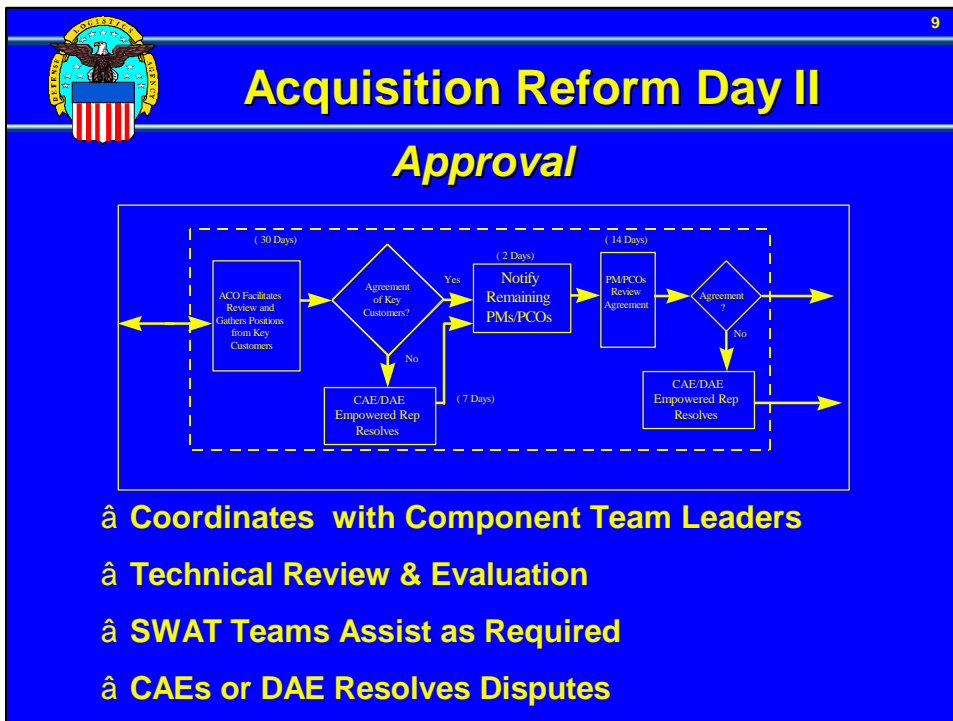
Open communication is the key to preparing a successful concept paper. There should be open discussion between the contractor, the customer, Defense Contract Audit Agency (DCAA), and the DCMC CAO to explore the viability of the proposed change.

Government representatives should encourage and help the contractor with development of the concept paper. However, it is up to the contractor to prepare and submit concept papers.

Concept Papers should be brief, yet definitive. Concept papers should specifically identify the existing contractual requirement that is to be replaced or modified. Papers should also identify contracts and customers impacted if the paper is approved.

Once the CAO receives a concept paper, the “clock” begins to tick. CAOs should report receipt of the concept paper as soon as it is received and use the remainder of the initial 30-day period to obtain additional data as needed.

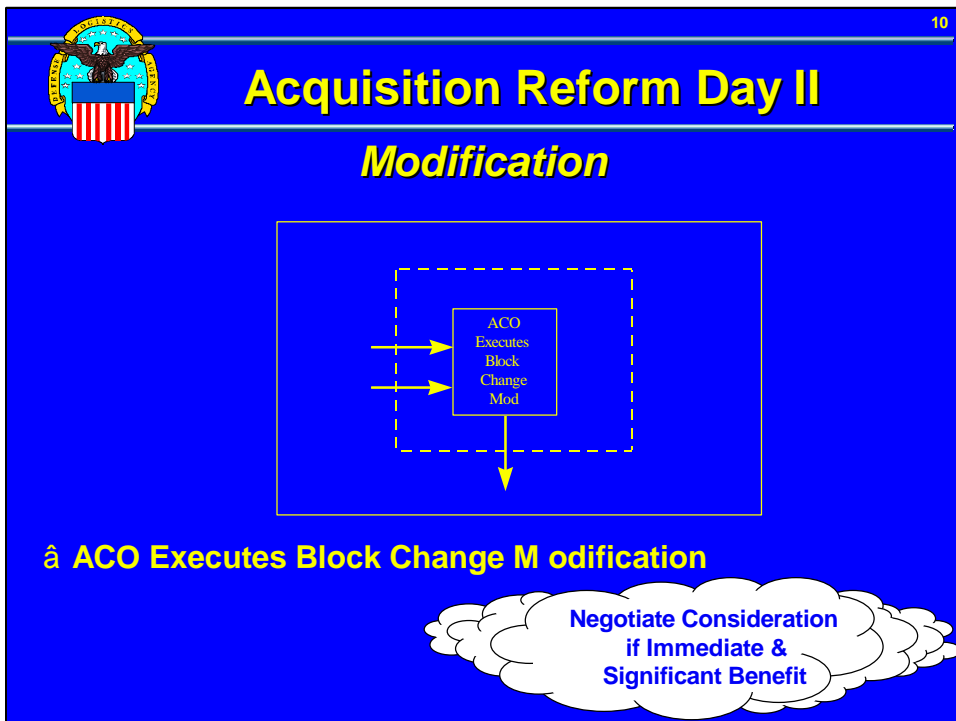
Contractors are encouraged to prepare and submit concept papers for streamlining specifications and standards with an emphasis on early customer involvement. As a minimum, proposals should detail the proposed process and associated metrics; the rough order of magnitude (ROM) cost benefit analysis for the change, the consequent changes in the Government’s involvement in the process, and required regulatory/contractual changes that may be needed.



Once submitted, the CAO shall determine the contractual/regulatory scope of change, determine the component customer base impacted, and organize a local management council based on the nature of the proposal. The management council should be comprised of senior level representatives from the local CAO, DCAA office, the contractor, and CTLs representing the key customers within the affected components. Notionally, the key customer base shall be comprised of customers who represent 80% of the total dollar value of affected components (NASA and Navy Nuclear programs are always key customers).

The role of the management council is to analyze the merits and cost benefits of the change. Empowerment of the CTL is critical. CTLs are designated and granted decision authority by the Component Acquisition Executive (CAE) to represent the key customer base. CTLs are responsible for achieving consensus with other component team leaders, the key customer PCOs and PMs, the component team members and the CAE. The CAO member is responsible for facilitating and leading the management council.

If there is disagreement between PM or other customers within a component, the issue must be raised to a level within the service as designated by the CAE. If there is disagreement among the components the issue must be raised to a level within the Department as designated by the Defense Acquisition Executive (DAE).



After technical agreement has been reached by all affected parties, the cognizant ACO can then modify all applicable contracts at a given facility. Authority to do so is provided in the USD(A&T) letter dated December 8, 1995, Single Process Initiative.

The modification should be issued as soon as possible so that the Government and contractor can begin reaping benefits from any cost savings/avoidances. Even in those cases where savings are significant and require further negotiations, the ACO should still issue an initial block change modification and then definitize the action with a Supplemental Agreement as soon as possible. In such cases, the initial block change modification must contain language that preserves the Government's entitlement to an equitable adjustment or other appropriate consideration.

A Memorandum of Agreement (MOA) is recommended to document the proposed modification and implementation schedule. A list of affected contracts should be attached. After the ACO and the contractor sign the MOA, the Standard Form (SF) 30, Amendment of Solicitation/Modification of Contract, should be coordinated with the Defense Finance and Accounting Service (DFAS) Contract Entitlement Directorate Systems Office, DFAS-JXS, and the DCMC's District FASST.

For Concept Papers that do not require contract modifications, a Memorandum of Understanding (MOU) can be drafted and signed by the ACO and contractor to implement the process changes proposed.



## Acquisition Reform Day II

### ***Consideration:***

- â **Costs To Execute Common Process Usually Occur Early**
  - â **Cost Avoidances Follow, May Be Hard To Quantify**
  - â **Contractors Make Change At No-Cost**
- â **ACOs Must Address Consideration**
  - â **Must Decide If Significant & Document Decision**
  - â **Required When Significant Savings Result**
  - â **Can Be Monetary Or Non-Monetary**
  - â **Focus On Fixed Price Contracts**
  - â **Allocation Of Compensation Can Be Tricky**

In those cases where the SPI proposal will result in significant decreases in the overall net cost of performance of existing contracts, the contractor should be asked to submit a formal proposal for an equitable adjustment (consideration). Negotiating consideration should not delay the modification of contracts.

Acceptable forms of consideration have not changed as a result of SPI. The Government is entitled to consideration when there are one-sided savings in the process:

Consideration may take several forms. For example, reduced prices on current contracts, cash refunds, goods and services, etc.. Goods or services can be an effective form of consideration. Care must be taken to avoid augmentation of appropriations. Consideration of this sort should be closely coordinated with customers (PCOs) and District SPI Points of Contact or 'SWAT' Team members (Legal, ACOs, Cost and Price Analysts, etc).

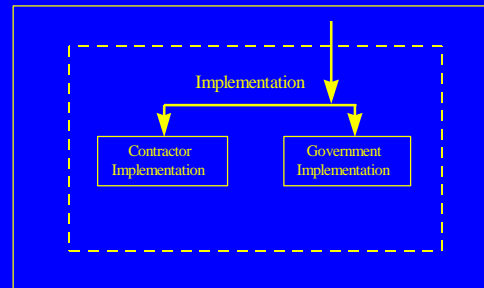
- How consideration is taken is a matter left to the sole discretion of the Contracting Officer.

Consideration should be documented in contracts and modifications to contracts. The parties should spell out in all block change modifications the consideration they have agreed to, which includes the tangible and intangible benefits the parties expect to receive by moving to the common process.



## Acquisition Reform Day II

### Implementation



• **New Process Implemented**

• **Government/Contractor Activity Adjusted Accordingly**

• **Final Report Summarizes Lessons Learned & Benefits**

• **Realize Savings/Cost Avoidance**

• Once the modification is complete, the contractor implements the new process. As a result, both the contractor and the Government should evaluate and adjust their oversight/surveillance activities accordingly. This may include some assessment of implementation progress, however, as the contractor shifts to common factory-wide processes, they should assume greater responsibility for self-governance.

The CAO will submit their final report to the Headquarters DCMC SPI Team describing the benefits and lessons learned from implementing the change.

Ultimately, DoD is expecting substantial savings from contractors' implementation of SPI. In addition to savings on current contracts, forward pricing rates should reflect savings as new processes are implemented.

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## Acquisition Reform Day II

### ***The Management Council:***

- â **Key Customers, Contractor, DCMC & DCAA**
- â **Identifying Processes & Products at Risk**
- â **Sponsoring Process Improvement Teams**
- â **Evaluating Concept Papers**
- â **Elevating Regulatory & Legal Issues**



**Effective Communication Critical to Success!**  
**The Local Management Council Makes This Possible**

The role of the management council is crucial to the overall success of the SPI implementation. The management council (1) facilitates constructive discussion regarding the general acceptability of the contractor's concept paper as a working document; (2) assures that the interests of the contractor's entire Government customer base are considered; (3) analyzes the merits and cost benefits of the proposed process change; and (4) advises the ACO regarding the appropriateness of process change. Each management council is composed of senior level representatives from the CAO, the cognizant DCAA office, the contractor, and key customers. Key customers notionally represent 80 percent of the total unliquidated obligation dollar value of contracts. NASA and Navy Nuclear programs are always key customers.

The CAO should use an IPT approach in establishing and operating the management council. A CAO with responsibility for many contractors should structure the management council to meet the needs of key contractors and customers based on the nature of the concept papers received. The Management Council may be restructured to meet the needs of other customers and contractors as they submit concept papers. (see Tab 7D)



## Acquisition Reform Day II

### ***Component Team Leaders:***

#### **â Responsibilities**

- â Member Of Govt/Contractor Management Council**
- â Coordinates & Gains Component Consensus**
- â Elevates Disputes**

#### **â Guidance Issued**

- â DCMC SPI Information Sheet**
- â Air Force, Navy, Army, DLA & NASA Policy Letters**

Once a contractor has submitted a concept paper, a CTL is designated. Usually the CTL is designated from the largest dollar value customer with each respective component/service. In the case of NASA Centers, a focal point has already been designated and posted to the SPI area of DCMC's Home Page.

In addition to an SPI Information sheet on CTL role and responsibilities, each the Army, Navy, Air Force, DLA, and NASA have issued guidance on identifying CTLs. (See Tabs 5 and 6F)





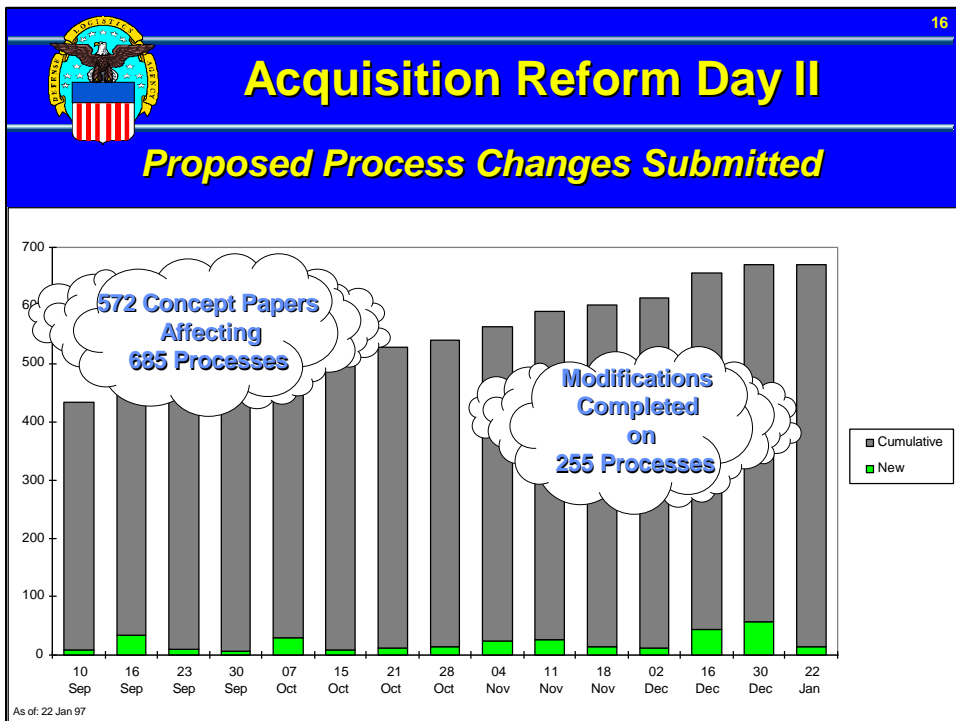
## Acquisition Reform Day II

### *SPI - The First 12 Months*

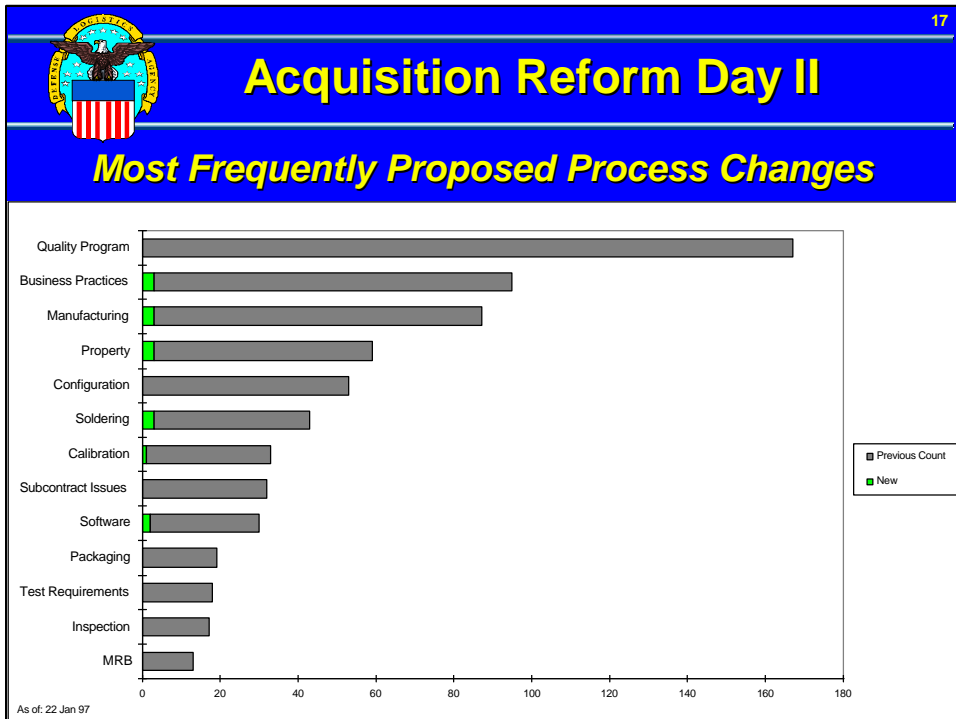
**We've Taken the First Steps BUT it's  
Only the Beginning!**

**Interest is *HIGH* -- SPI Activity is Increasing**

It has been over a year since the SPI was formally introduced as an important cornerstone of acquisition reform. We have made a great deal of progress since then, focusing extensive efforts on getting the initiative up and running, training and education, policy development, maintaining an expedited pace, problem resolution, and continually improving the quality of this very important endeavor. While we have achieved a great deal during the first year, we recognize the real challenges still lie ahead. For example, we need to redouble our efforts to increase contractor participation, encourage supplier involvement, measure benefits, shift our focus to areas representing bigger impacts (i.e., technical innovations), and to expand the use of management councils. We are already laying the groundwork to advance toward these objectives.



Growth in SPI activity slowed in the last quarter of 1996, however, we continue to see steady increases in concept papers received, processes modified, and the number of contractors participating in the program. While we are pleased with this upward trend, the level of activity is well below expectations relative to the number of contractors performing defense related work. For example, only 28 of the top DoD contractors that make up 80% of DoD sales are participating in SPI.



Currently, the three most frequently proposed proposed SPI changes are in the areas of quality programs; business practices, including certification requirements, subcontracting authorization, and work measurement; and manufacturing processes, such as plating, encapsulation, and electrostatic protection. Additionally, we continue to see significant activity in configuration management. We expect an increase in this area as more contractors successfully complete block changes and implement facility-wide configuration management systems.



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## Acquisition Reform Day II

*We're Out of the Gate BUT We're Not  
Taking Advantage of Every Opportunity*

- Only 28 of the Top 80% of DoD Contractors are Participating in SPI
- IPT Formed to Target Contractors and Processes Representing High Return on Investment

***Accelerate the Pace By...***

We are currently focusing efforts on increasing industry participation in SPI. As a first step, we compiled a list of the top Defense contractors who have received approximately 80 percent of DoD dollars. We provided a copy of this list to the CAEs, highlighting those contractors who are participating in the program. The Services are already using this information to identify potential candidates for SPI and are taking steps to approach these contractors regarding their future participation in the program.

Additionally, the Headquarters DCMC Block Change Management Team recently formed an IPT to target contractors and processes that represent a higher return on investment.

Clearly, we must **accelerate** our momentum and commitment to the program in the coming year to ensure continued success. The next seven slides describe other key areas we will be focusing our attention to accelerate SPI.



## Acquisition Reform Day II

### ***...Allowing SPI on New Procurements***

- â New Procurements Must Allow Processes Implemented Through SPI**
- â Navy and NASA Have Issued Contract Language Permitting the Use of Approved Single Processes When Technically Acceptable**
- â SPI Communication IPT Recommends Similar Language for DoD-Wide Implementation**

One of the major challenges facing the SPI is ensuring future solicitations allow for the use of approved SPI processes. The Navy and NASA have already made strides in this area by promulgating sample solicitation language for their procurement personnel to use in structuring new contracts. The Army and Air Force are working on similar guidance for their buying activities.

The Headquarters DCMC Block Change Management Team chartered a Communications IPT to address this issue. The Communications IPT recently issued its final report, which reflects recommendations for effectively communicating with buying activities on issues relating to the SPI process. One of the key recommendations in this report is the need for structuring future solicitations that are flexible enough to accommodate approved SPI processes. The Headquarters DCMC Management Team is preparing a DFARS “case” to implement this recommendation DoD-wide. (see TAB 7C)



## Acquisition Reform Day II

### ***...Tackling Law & Reg Proposals***

#### **â What We Need -- A Complete Package**

- â **Cost/Benefits Analysis -- Cost, Schedule, or Performance**
- â **Describe Advantages and Proposed Reg Language**


#### **â What We are Doing**

- â **Consolidating Cases for DAR Council & Legislative Proposals**
- â **Posting Proposal Summaries and Reinvention Lab Successes on the Home Page**

Contractors may submit SPI changes that affect laws or regulations. Management councils should review these concept papers to analyze the merits and cost-benefits. If the proposed change benefits the Government, the CAO should process the change or deviation request by submitting a "case" that fully describes (1) the specific statute to be amended or repealed; (2) the detailed rationale as to why the change is needed, including a statement of what problem or situation will be avoided, corrected or improved if the request is approved; (3) the cost, schedule, or performance benefit to the Government; and (4) the suggested change language. (see TAB 7A)

Many law and regulation concept papers submitted so far are incomplete. We have formed an IPT to identify and correct these deficiencies. The IPT includes participants from DCMC, the Services, NASA, DCAA, and General Counsel.

We're making some progress. We have consolidated the concept papers on property management and shared them, with the FAR, Part 45 (property) rewrite team for their consideration. We prepared and forwarded a DFARS case to the DAR Council, proposing to allow contractors to use the newly developed industry guide for Earned Value Management Systems instead of the Cost/Schedule Control Systems Criteria currently required by the DoD 5000.2-R. The Director, Defense Procurement is preparing to make appropriate changes to the DFARS. USD(A&T) has instructed contractors that wish to convert to the new EVMS criteria on existing contracts, to do so using block change procedures.



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## Acquisition Reform Day II

***...Going After Savings/Cost Avoidance***

- â **Cost/Benefits Analysis**
  - â **Must Be Included in All Concept Papers**
  - â **DCAA Must Review**
  - â **CAOs will Capture Estimated Cost Savings/Cost Avoidance in Weekly Reports**

The Department is expecting substantial savings from contractors' implementation of SPI. One of the key elements of a contractor's concept paper is the inclusion of a ROM cost benefit analysis.

It is the responsibility of the ACO to ensure that the cost benefit analysis is adequate. This means that the analysis is based upon empirical data; that it includes the major activities needed to implement the process, and an estimated cost for each; and that it identifies those requirements to be deleted along with an estimated annual saving to both existing and future contracts. The cognizant DCAA field office should be requested to analyze the cost benefit analysis and provide advice as to its reasonableness. As always, ACOs should continue to use sound business judgment in arriving at their decisions.

CAOs are required to provide in their weekly reports, the contractor's estimated cost to implement the proposed process change and their estimate of annual savings and avoidances to both existing and future contracts. I also want included in the report, those estimates arrived at by DCAA and their rationale for any differences. (see TAB 5A)

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## Acquisition Reform Day II

***...Facilitating SPI Between Primes & Subs***  
â **USD(A&T) Memo of 3 Sep 96 -- *A First Step!***  
â **IPT Formed on 4 Nov 96**  
â **Developed Model Implementation Strategy**



**Industry Associations Must  
Get Involved**

SPI has been expanded to include prime contractors that are also subcontractors to other contractors. USD(A&T) memo dated September 3, 1996 establishes the needed framework for addressing prime/subcontractor relationships under SPI. A joint Government/industry IPT has developed an alternate approach to insert a "subcontractor enabling provision" into existing contracts. This provision will allow prime contractors the freedom to substitute Government accepted subcontractor SPI processes in lieu of flowing down conflicting prime contract requirements. The proposed enabling provision, once approved by the management council, may be inserted into existing prime contracts at a given facility via a block change modification. The IPT's recommendation will be forwarded to USD(A&T) in formulating additional policy in this area. (see TAB 7B)



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## Acquisition Reform Day II

***...Expanding Management Council's Role***  
â **Integrating Government Audits/Reviews**  
â **Addressing Pollution Prevention Issues**  
â **Resolving Any Other Issues of Mutual Concern**

Management councils are key tools for accelerating improvements in the acquisition process. The effectiveness of the council is contingent upon senior level participation. The underlying success of SPI is rooted in the application of this concept.

Management councils offer the opportunity to facilitate other improvement projects than just SPI. Members of the council can bring any issue forward for discussion and resolution. For example, the management council is an excellent forum to coordinate perceived needs for audits, evaluations, red team reviews, etc.. Rather than sending in individuals from various organizations to conduct similar reviews, it might be possible to coordinate such reviews among the inquirers to reduce redundancies. Evaluation results of a single review can then be shared among the inquiring organizations. On October 22, 1996, DCMC issued a policy memorandum formally endorsing the use of management councils to reduce duplicative Government audits. We will keep you informed of other areas where we are expanding the use of management councils. (see TAB 7D)



## Acquisition Reform Day II

### ***...Increasing Awareness at Working Level***

- â Roadshows and Implementation Training
- â DAU Course Now Being Developed
- â DSMC PM Course Elective --7 Nov 96
- â Eliciting Industry Association Support

We continue to conduct a myriad of education and outreach activities designed to raise awareness of SPI at the working level both within Government and industry. Highlights of activities conducted during the quarter are:

- Roadshows and implementation training conducted by DCMC Headquarters DCMC SPI Team and District SPI SWAT Team members.
- Headquarters DCMC is working with the DAU to integrate SPI concepts into DAU course curriculum.

An elective course on SPI has been developed for use with the Advanced Program Management Course at the Defense Systems Management College. This course was first presented on November 7, 1996 and received positive feedback.

We need industry association support and encourage contractors and industry associations to host SPI seminars and workshops aimed at increasing SPI participation and **results**.



## Acquisition Reform Day II

### ***...Sharing Successes***

- â **Essential to Building Synergy**
- â **Contractor Participation is Voluntary**
  - â **Non-Proprietary Information Only**
  - â **Describe Original System and Approved SPI Concept**
  - â **Include Contractor POC for SPI and Phone Number**
- â **CAOs Submit With Weekly Report**
- â **Information Posted to DCMC's Home Page**

We have stepped up our efforts to collect and post summaries of approved SPI processes at contractor facilities on the DCMC Home Page. Through our DCMC field commanders, we asked participating contractors to provide non-proprietary information on SPI successes along with a facility point of contact who could answer questions and provide any additional information. By design, this endeavor will allow industry to build on SPI successes and build synergistic relationships to advance contractor participation in SPI. Summary concepts are now available under SPI on DCMC's Home Page (<http://www.dcmc.dcrb.dla.mil>).



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## Acquisition Reform Day II

***...Building on SPI and Changing the Mindset***

- â Allows Us to Build Confidence in Commercial Processes
- â Use SPI to ACCELERATE the Acquisition Process

**We've Been Given an Opportunity,  
We Must Now Leverage It**

Changing the way we do business is the key to DoD's future... and SPI implements real reform **now**.

Success is a team effort. All players need to be involved and committed to making SPI a success -- contractor, customers, DCAA, and DCMC.

SPI remains one of the important keys to DoD's acquisition reform efforts and its transition to performance based contracting. As we've discussed today, we are making progress toward this objective. More importantly, as SPI evolves, we continue to see additional opportunities for implementing best practices through Government/contractor teaming. By making these initial steps, CAOs, DCAA field offices, and buying activities are gaining confidence in the management and manufacturing processes used by contractors in the commercial sector. This, in turn, is leading to wider acceptance of commercial processes that are "best practices."

We must **accelerate** our momentum and commitment to the program in the coming year to ensure continued success.

## **DISCUSSION FORMAT and QUESTIONS**

**It is essential that a discussion session be held at the conclusion of the management council video and SPI briefing to help the Acquisition Reform Day participants apply the information presented on the Single Process Initiative (SPI).**

**The following questions should be used by the instructor/session leader to focus the discussion. To make the discussion more relevant, they should be tailored to suite the background, experience, and functional perspective of the participants involved.**

**A recommended discussion format is to divide participants into groups of 5 to 7 each. Assign discussion questions to each group, depending on the number of groups available. For example, group “A” answer questions 1 and 2, group “B” answer questions 3 and 4, etc.. Each group would then share and their answers with the other groups in an open discussion at the end of the session. Be sure to allow enough time to hear from each group.**

1. What are some of the objectives of SPI? How do they fit into the objectives of Acquisition Reform?
2. From an your perspective, what processes represent the greatest return on investment in terms of improved efficiency or enhanced quality?
3. What should be done to ensure early interface with all customers affected by a process change submitted under SPI?
4. What would you suggest to ensure suppliers are included in the SPI process?
5. What can be done now to ensure that new procurements allow contractors to propose single processes that have been previously approved on existing contracts under SPI?
6. What do you think is the key ingredient to an effective management council?
7. Often, management council members are located thousands of miles apart. Additionally, many organizations are facing tighter travel budgets. What would you recommend as ways management councils can overcome these difficulties?
8. How should management councils and their support staffs identify those processes that provide the greatest return on investment?
9. How can management councils be used to coordinate Government oversight activities?
10. How can management councils be used to foster improvements and manage initiatives other that those proposed under Single Process Initiative?

